

# Neo Performance Materials Reports Strong Third Quarter 2021 Results

written by Raj Shah | November 9, 2021

November 8, 2021 ([Source](#)) – **Q3 2021 Highlights**

*(unless otherwise noted, all financial amounts in this news release are expressed in U.S. dollars)*

Neo Performance Materials Inc. (“**Neo**”, the “**Company**”) (TSX: [NEO](#)) released its third quarter 2021 financial results. The financial statements and management’s discussion and analysis (“**MD&A**”) of these results can be viewed on Neo’s web site at [www.neomaterials.com/investors/](http://www.neomaterials.com/investors/) and on SEDAR at [www.sedar.com](http://www.sedar.com).

1. Q3 2021 revenue of \$119.8 million higher by 53.9% YoY.
2. Volumes in the quarter of 3,523 tonnes improved by 16.1% YoY.
3. Operating income of \$12.6 million in the quarter.
4. Adjusted Net Income<sup>(1)</sup> of \$9.8 million, or \$0.26 per share.
5. Adjusted EBITDA<sup>(1)</sup> of \$17.7 million.
6. Cash balance of \$51.7 million after distributing \$3.0 million in dividends to shareholders.
7. A quarterly dividend of Cdn\$0.10 per common share was declared on November 8, 2021 for shareholders of record at December 20, 2021, with a payment date of December 30, 2021.

## **HIGHLIGHTS OF Q3 2021 CONSOLIDATED PERFORMANCE**

Neo reported strong year-over-year (“**YoY**”) gains in revenue, volumes, operating income, Adjusted EBITDA, and profitability in

the quarter ended September 30, 2021, driven largely by increased demand for products across all three of its operating divisions, higher selling prices for rare earth materials, and continuing progress in several of the Company's strategic initiatives.

Consolidated revenue in the quarter was \$119.8 million, compared to \$77.9 million in the third quarter of 2020; an increase of \$42.0 million or 53.9%. Neo reported a net income of \$8.1 million, or \$0.21 per share, which compared to \$0.4 million, or \$0.01 per share, in the corresponding prior-year period.

Adjusted Net Income<sup>(1)</sup> totaled \$9.8 million, or \$0.26 per share, which compared to \$1.3 million, or \$0.03 per share, in the third quarter of 2020. Adjusted EBITDA<sup>(1)</sup> was \$17.7 million, a 208% jump over Adjusted EBITDA of \$5.7 million in the comparable prior-year period.

As of September 30, 2021, Neo had cash and cash equivalents of \$51.7 million plus restricted cash of \$4.0 million, compared to \$72.2 million plus \$4.2 million as at December 31, 2020, a change largely due to an increase in working capital driven by higher rare earth prices and higher-cost rare earth feedstock in inventory. In the nine months ended September 30, 2021, Neo paid \$9.2 million in dividends to its shareholders. In addition, with the new credit facilities entered into in China in the third quarter, Neo has approximately \$36.4 million available under its credit facilities with \$5.5 million drawn as at September 30, 2021, compared to \$2.4 million drawn as at December 31, 2020.

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(1) Neo reports non-IFRS measures such as “Adjusted Net Income”, “Adjusted Earnings per Share”, “Adjusted EBITDA”, “Adjusted EBITDA Margin” and “EBITDA”. Please see information on this and other non-IFRS measures in the “Non-IFRS Measures” section of this new release and in the MD&A, available on Neo’s website at [www.neomaterials.com](http://www.neomaterials.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

“Neo benefitted from strong demand for our products as the global economy continues to gain speed,” said Constantine Karayannopoulos, CEO of Neo. “I am also pleased with the incremental growth we are seeing in new business areas, and I believe those initiatives hold promise for enhanced and sustainable growth over the long-term. Neo was also able to capitalize on a relatively robust rare earth pricing environment, largely driven by an expectation of rising global demand for such green technology applications as electrified transportation, renewable energy, and high-efficiency motors and other greenhouse-gas reducing technologies. I believe that Neo is extraordinarily well-positioned to deliver the highly engineered specialty materials needed by OEMs and their suppliers around the world for these technologies, and we look forward to expanding and diversifying our production capabilities as needed by these macro growth trends.”

## SELECTED FINANCIAL RESULTS

TABLE 1: Selected Consolidated Results				
	Quarter-over-Quarter Comparison		Year-over-Year Comparison	
	Q3 2021	Q3 2020	YTD Q3 2021	YTD Q3 2020
Volume (tonnes)	3,523	3,035	11,792	8,883
(\$000s)				
Revenue	119,841	77,864	385,837	236,295

Operating income (loss)	12,558	1,137	47,161	(58,849)
EBITDA <sup>(1)</sup>	16,441	5,491	53,051	(44,990)
Adjusted EBITDA <sup>(1)</sup>	17,650	5,730	62,263	16,566
Adjusted EBITDA % <sup>(1)</sup>	14.7 %	7.4 %	16.1 %	7.0 %

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*<sup>(1)</sup>Neo reports non-IFRS measures such as “Adjusted Net Income”, “Adjusted Earnings per Share”, “Adjusted EBITDA”, “Adjusted EBITDA Margin” and “EBITDA”. Please see information on this and other non-IFRS measures in the “Non-IFRS Measures” section of this news release and in the MD&A.*

For the three and nine months ended September 30, 2021, consolidated revenues of \$119.8 million and \$385.8 million were 53.9% and 63.3% higher, respectively, than the corresponding periods of 2020. All three business segments experienced an increase in revenue as volumes rose due to the economic recovery since the initial impact of COVID-19 in 2020, despite being negatively impacted by the semiconductor chip shortage in the automotive sector and by continuing global supply chain logistics challenges. Consolidated volumes in the nine-month period ended September 30, 2021, were supported by progress in key strategic initiatives in all three segments, as well as by customer refilling of supply chains. Selling prices for rare earth products, including Magnequench powders, rose significantly starting from the fourth quarter of 2020, through the third quarter of 2021, and early into the fourth quarter. Some volatility in the second quarter of 2021 was seen before prices began rising again in the third quarter. Rare earth prices in the third quarter of 2021 remain relatively high compared to more recent historical periods driven primarily by

the magnetic elements which are critical in leading technologies such as the electrification of automobiles and other environmentally sustaining technologies. Neo has benefited from these generally higher prices from both a lead-lag perspective (lower cost inventory on hand) and more dollar value margin available generally with higher prices.

## MAGNEQUENCH SEGMENT RESULTS

TABLE 2: Selected Magnequench Results				
	Quarter-over-Quarter Comparison		Year-over-Year Comparison	
	Q3 2021	Q3 2020	YTD Q3 2021	YTD Q3 2020
Volume (tonnes)	1,374	1,095	4,608	3,390
(\$000s)				
Revenue	60,063	31,620	192,856	100,413
Operating income	8,130	2,965	31,805	11,925
EBITDA <sup>(1)</sup>	9,773	5,559	39,240	19,323
Adjusted EBITDA <sup>(1)</sup>	10,503	5,244	38,872	18,524
<hr/> <sup>(1)</sup> Neo reports non-IFRS measures such as “Adjusted Net Income”, “Adjusted Earnings per Share”, “Adjusted EBITDA”, “Adjusted EBITDA Margin” and “EBITDA”. Please see information on this and other non-IFRS measures in the “Non-IFRS Measures” section of this news release and in the MD&A.				

In the three and nine months ended September 30, 2021, Magnequench saw broad volume increases across the majority of its applications, including key end markets such as solutions

for electrified vehicles (including traction motors) and in other applications such as factory automation and home appliances. 2021 volumes also benefitted from customer inventory rebuilding. Q3 volumes were adversely impacted by the slowdown in automotive production due to the global semiconductor chip shortage.

Over the last few years, Magnequench has focused on key macro growth trends that are yielding positive sales volume growth in areas such as compression magnets and electrified-automotive applications, including traction motors and pumps. Despite the slowdown in automotive, Magnequench is continuing to produce near-record volumes in the compression magnet sector. Magnequench margins benefited from increased volumes and better absorption of fixed costs as well as the lead-lag impact of prices rising in rare earth components of its powder composition. Although Magnequench has strategically structured most of its sales contracts to contain pass-through pricing provisions for rare earth raw materials, in the three and nine months ended September 30, 2021, Magnequench benefited significantly from the timing of implementation of these price increases with having some lower cost inventory on hand.

## **CHEMICALS & OXIDES ("C&O") SEGMENT RESULTS**

<b>TABLE 3: Selected C&amp;O Results</b>				
	<b><i>Quarter-over-Quarter Comparison</i></b>		<b><i>Year-over-Year Comparison</i></b>	
	<b>Q3 2021</b>	<b>Q3 2020</b>	<b>YTD Q3 2021</b>	<b>YTD Q3 2020</b>
Volume (tonnes)	2,106	1,929	6,972	5,330
(\$000s)				
Revenue	45,677	36,031	152,322	94,889

Operating income	7,142	3,145	27,184	(31,629)
EBITDA <sup>(1)</sup>	8,099	4,150	22,091	(28,197)
Adjusted EBITDA <sup>(1)</sup>	8,059	3,896	29,712	6,847

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*<sup>(1)</sup>Neo reports non-IFRS measures such as “Adjusted Net Income”, “Adjusted Earnings per Share”, “Adjusted EBITDA”, “Adjusted EBITDA Margin” and “EBITDA”. Please see information on this and other non-IFRS measures in the “Non-IFRS Measures” section of this news release and in the MD&A.*

The C&O segment continues to see strong demand for various rare earth products, particularly its magnetic-based products, as the global economy continues to recover from the economic impacts of COVID-19. Demand and pricing for rare earth magnetic elements continues to increase given their use in the electrification of automobiles and other environmentally sustainable technologies. Higher REE prices, and higher demand for magnetic rare earth products in particular, benefitted the rare earth separation business through higher-dollar value margins and the lead-lag impact of lower cost inventory on hand relative to selling prices. In environmental catalysts, customer re-stocking of inventory levels positively affected volumes in the first three months of 2021, while the unit saw reduced volumes in Q3, both year-over-year and sequentially, primarily related to the slowdown in automotive production. C&O’s environmentally protective water treatment solutions business continues to perform well with higher volume and new customer adoption, although sales volumes were partially impacted by the challenges in global shipping and logistics availability.

## **RARE METALS SEGMENT RESULTS**

**TABLE 4: Selected Rare Metals Results**

	<b>Quarter-over-Quarter Comparison</b>		<b>Year-over-Year Comparison</b>	
	<b>Q3 2021</b>	<b>Q3 2020</b>	<b>YTD Q3 2021</b>	<b>YTD Q3 2020</b>
Volume (tonnes)	110	91	389	323
(\$000s)				
Revenue	19,509	13,613	56,308	47,592
Operating income (loss)	2,074	(892)	4,168	(25,797)
EBITDA <sup>(1)</sup>	1,733	(535)	6,014	(23,362)
Adjusted EBITDA <sup>(1)</sup>	2,715	(179)	6,080	1,108

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<sup>(1)</sup>Neo reports non-IFRS measures such as “Adjusted Net Income”, “Adjusted Earnings per Share”, “Adjusted EBITDA”, “Adjusted EBITDA Margin” and “EBITDA”. Please see information on this and other non-IFRS measures in the “Non-IFRS Measures” section of this news release and in the MD&A.

Similar to Neo’s Magnequench and C&O segments, the prior-year comparable period for the Rare Metals segment was also impacted by COVID-19, although more so after the first quarter of 2020 and continuing later into 2020. For the three- and nine-month periods ended September 30, 2021, the end markets of Rare Metals exhibited some slower recovery levels. The improvement in the Rare Metals business in the three- and nine-month periods ended September 30, 2021 was also attributed to progress made in several key strategic initiatives in the segment. The Rare Metals segment has made key progress into selling more products

outside of the aerospace industry and adding new customers, thereby participating in new growth initiatives while diversifying its total end market exposure. Key progress continues to be made in expanding the capacity of key products (with minimal capital investment) and refocusing the sales pipeline and manufacturing capacity toward more profitable end products. Sales prices in several end markets have recovered and gallium-based products are exhibiting more market demand.

## **EARNINGS CONFERENCE CALL**

In order to comply with regulatory best practices, the Company anticipates holding its earnings conference call (the “Call”) following the completion of the distribution of common shares of the Company in connection with the bought deal treasury and secondary offering (the “Offering”) of its common shares. Neo expects the Offering to close on or around November 16, 2021, and will provide further notice on the timing of the Call.

## **NON-IFRS MEASURES**

This news release refers to certain non-IFRS financial measures such as “Adjusted Net Income”, “EBITDA”, “Adjusted EBITDA”, and “Adjusted EBITDA Margin”. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS financial measures by providing further understanding of Neo’s results of operations from management’s perspective. Neo’s definitions of non-IFRS measures used in this news release may not be the same as the definitions for such measures used by other companies in their reporting. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation nor as a substitute for analysis of Neo’s financial

information reported under IFRS. Neo uses non-IFRS financial measures to provide investors with supplemental measures of its base-line operating performance and to eliminate items that have less bearing on operating performance or operating conditions and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. Neo believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. Neo's management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period. For definitions of how Neo defines such financial measures, please see the "Non-IFRS Financial Measures" section of Neo's management's discussion and analysis filing for the three and nine months ended September 30, 2021, available on Neo's web site at [www.neomaterials.com](http://www.neomaterials.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

**TABLE 5: CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(\$000s)	September 30, 2021		December 31, 2020	
<b>ASSETS</b>				
<b>Current</b>				
Cash and cash equivalents	\$	51,734	\$	72,224
Restricted cash		3,964		4,219
Accounts receivable		68,838		51,851
Inventories		156,587		130,867
Income taxes receivable		1,491		2,186
Assets held for sale		—		415
Other current assets		24,760		13,889
<b>Total current assets</b>		<b>307,374</b>		<b>275,651</b>
Property, plant and equipment		73,599		74,322

Intangible assets	50,676		53,653
Goodwill	69,379		68,967
Investments	11,609		10,045
Deferred tax assets	3,481		3,040
Other non-current assets	3,275		864
<b>Total non-current assets</b>	<b>212,019</b>		<b>210,891</b>
<b>Total assets</b>	<b>\$ 519,393</b>	<b>\$ 486,542</b>	
<b>LIABILITIES AND EQUITY</b>			
<b>Current</b>			
Bank advances and other short-term debt	\$ 5,485	\$ 2,428	
Accounts payable and other accrued charges	68,216	79,106	
Income taxes payable	5,857	2,945	
Provisions	3,878	2,628	
Lease obligations	1,439	1,297	
Derivative liability	11,843	9,428	
Other current liabilities	2,964	940	
<b>Total current liabilities</b>	<b>99,682</b>	<b>98,772</b>	
Employee benefits	2,259	2,358	
Provisions	16,010	4,201	
Deferred tax liabilities	13,926	13,970	
Lease obligations	1,974	2,243	
Other non-current liabilities	1,555	1,513	
<b>Total non-current liabilities</b>	<b>35,724</b>	<b>24,285</b>	
<b>Total liabilities</b>	<b>135,406</b>	<b>123,057</b>	
Non-controlling interest	2,340	1,490	

Equity attributable to equity holders of Neo Performance Materials Inc.	381,647		361,995
<b>Total equity</b>	<b>383,987</b>		<b>363,485</b>
<b>Total liabilities and equity</b>	<b>\$ 519,393</b>		<b>\$ 486,542</b>
<p>See accompanying notes to this table in Neo's Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2021, available on Neo's website at <a href="http://www.neomaterials.com">www.neomaterials.com</a> and on SEDAR at <a href="http://www.sedar.com">www.sedar.com</a>.</p>			

### **TABLE 6: CONSOLIDATED RESULTS OF OPERATIONS**

*Comparison of the three and nine months ended September 30, 2021 to the three and nine months ended September 30, 2020:*

(\$000s)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Revenue</b>	\$ 119,841	\$ 77,864	\$ 385,837	\$ 236,295
<b>Costs of sales</b>				
Costs excluding depreciation and amortization	83,330	57,395	268,830	174,824
Depreciation and amortization	1,980	1,996	5,771	7,431
<b>Gross profit</b>	<b>34,531</b>	<b>18,473</b>	<b>111,236</b>	<b>54,040</b>
<b>Expenses</b>				
Selling, general and administrative	13,347	10,938	41,024	37,589
Share-based compensation	1,198	973	2,761	916
Depreciation and amortization	1,908	1,797	5,798	5,851
Research and development	5,520	3,628	14,492	9,449
Impairment of assets	—	—	—	59,084
	21,973	17,336	64,075	112,889
<b>Operating income (loss)</b>	<b>12,558</b>	<b>1,137</b>	<b>47,161</b>	<b>(58,849)</b>
Other income (expense)	462	(92)	(5,399)	(65)
Finance cost, net	(747)	(99)	(2,420)	(3,362)
Foreign exchange loss	(755)	(128)	(1,844)	(440)
<b>Income (loss) from operations before income taxes and equity income of associates</b>	<b>11,518</b>	<b>818</b>	<b>37,498</b>	<b>(62,716)</b>
Income tax expense	(3,670)	(1,198)	(10,282)	(811)
<b>Income (loss) from operations before equity income of associates</b>	<b>7,848</b>	<b>(380)</b>	<b>27,216</b>	<b>(63,527)</b>
Equity income of associates (net of income tax)	288	781	1,564	1,082

Net income (loss)	\$	8,136	\$	401	\$	28,780	\$	(62,445)
Attributable to:								
Equity holders of Neo	\$	8,036	\$	423	\$	28,442	\$	(60,150)
Non-controlling interest		100		(22)		338		(2,295)
	\$	8,136	\$	401	\$	28,780	\$	(62,445)
Earnings (Loss) per share attributable to equity holders of Neo:								
Basic	\$	0.21	\$	0.01	\$	0.75	\$	(1.60)
Diluted	\$	0.21	\$	0.01	\$	0.75	\$	(1.60)

See Management's Discussion and Analysis for the Three and Nine Months Ended September 30, 2021, available on Neo's website at [www.neomaterials.com](http://www.neomaterials.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

**TABLE 7: RECONCILIATION OF NET INCOME (LOSS) TO EBITDA, ADJUSTED EBITDA AND FREE CASH FLOW**

(\$000s)	Three Months Ended September 30,				Nine Months Ended September 30,						
	2021			2020			2021			2020	
Net income (loss)	\$	8,136		\$	401		\$	28,780		\$	(62,445)
Add back (deduct):											
Finance cost, net	747			99			2,420			3,362	
Income tax expense	3,670			1,198			10,282			811	
Depreciation and amortization included in costs of sales	1,980			1,996			5,771			7,431	
Depreciation and amortization included in operating expenses	1,908			1,797			5,798			5,851	
EBITDA	16,441			5,491			53,051			(44,990)	
Adjustments to EBITDA:											
Other (income) expense <sup>(1)</sup>	(462)			92			5,399			65	

Foreign exchange loss <sup>(2)</sup>	755	128	1,844	440
Equity income of associates	(288)	(781)	(1,564)	(1,082)
Share and value-based compensation <sup>(3)</sup>	1,198	931	2,761	660
Impairment of assets <sup>(4)</sup>	—	—	—	59,084
Other costs <sup>(5)</sup>	6	(131)	772	2,389
<b>Adjusted EBITDA</b>	<b>\$ 17,650</b>	<b>\$ 5,730</b>	<b>\$ 62,263</b>	<b>\$ 16,566</b>
<i>Adjusted EBITDA Margins</i>	14.7 %	7.4 %	16.1 %	7.0 %
Less:				
Capital expenditures	\$ 2,374	\$ 3,407	\$ 6,631	\$ 6,436
<b>Free Cash Flow</b>	<b>\$ 15,276</b>	<b>\$ 2,323</b>	<b>\$ 55,632</b>	<b>\$ 10,130</b>
<i>Free Cash Flow Conversion <sup>(6)</sup></i>	86.5 %	40.5 %	89.4 %	61.1 %

**Notes:**

(1)	Represents other expenses resulting from non-operational related activities, including provisions for estimated damages for outstanding legal claims related to historic volumes, costs for disposal of historically generated naturally occurring radioactive materials (“ <b>NORM</b> ”) and fair value remeasurement of equity securities. These costs and recoveries are not indicative of Neo’s ongoing activities.
(2)	Represents unrealized and realized foreign exchange losses (gains) that include non-cash adjustments in translating foreign denominated monetary assets and liabilities.

(3)	<p>Represents share and value-based compensation expense in respect of the Plan, the Legacy Plan, the LTIP and the long-term value bonus plan. The long-term value bonus plan is included in selling, general, and administration expenses and has similar vesting criteria to the share-based plan and is settled in cash for non-executives and non-North Americans where implementation of a share settlement plan would have been prohibitively expensive in terms of administration and compliance. For the three and nine months ended September 30, 2021, value-based compensation expense was nil, as the financial statement impact of the liquidity event was recorded in the year ended December 31, 2020. For the three and nine months ended September 30, 2020, value-based compensation recovery was \$(42) and \$(256), respectively. Neo has removed both the share and value-based compensation expense from EBITDA to provide comparability with historic periods and to treat it consistently with the share-based awards that they are intended to replace.</p>
(4)	<p>The negative economic impacts of COVID-19 were determined to be an impairment indicator as of June 30, 2020 for all Neo's Cash Generating Units ("<b>CGUs</b>"). In accordance with IAS 36 Impairment of Assets, the recoverable amount of Neo's CGUs was determined based on fair value less cost of disposal for the Magnequench segment and value in use for the C&amp;O and the Rare Metals segments. As a result of the impairment test, Neo recognized an impairment charge of \$59.1 million as of June 30, 2020, with \$35.1 million attributable to the C&amp;O segment and \$24.0 million attributable to the Rare Metals segment. No impairment was recorded against the Magnequench segment.</p>

(5)	These represent primarily legal, professional advisory fees and other transaction costs incurred with respect to non-operating capital structure related transactions and restructuring costs related to management team changes. Neo has removed these charges to provide comparability with historic periods.
(6)	Calculated as Free Cash Flow divided by Adjusted EBITDA.

**TABLE 8: RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED NET INCOME (LOSS)**

(\$000s)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
<b>Net income (loss)</b>	\$	8,136	\$	401	\$	28,780	\$	(62,445)
<b>Adjustments to net income (loss):</b>								
Foreign exchange loss <sup>(1)</sup>		755		128		1,844		440
Impairment of assets <sup>(2)</sup>		—		—		—		59,084
Share and value-based compensation <sup>(3)</sup>		1,198		931		2,761		660
Other costs (income) <sup>(4)</sup>		6		(131)		772		2,389
Other items included in other (income) expense <sup>(5)</sup>		(260)		—		6,162		—
Tax impact of the above items		(43)		(38)		(1,341)		(3,546)
<b>Adjusted net income (loss)</b>	\$	9,792	\$	1,291	\$	38,978	\$	(3,418)

Attributable to:									
Equity holders of Neo		\$	9,692	\$	1,313	\$	38,640	\$	(3,390)
Non-controlling interest		\$	100	\$	(22)	\$	338	\$	(28)
Weighted average number of common shares outstanding:									
Basic		37,913,275		37,610,846		37,738,354		37,671,721	
Diluted		38,228,888		37,653,807		38,084,902		37,671,721	
Adjusted earnings (loss) per share <sup>(6)</sup> attributable to equity holders of Neo:									
Basic		\$	0.26	\$	0.03	\$	1.02	\$	(0.09)
Diluted		\$	0.25	\$	0.03	\$	1.01	\$	(0.09)
Notes:									
(1)	Represents unrealized and realized foreign exchange losses (gains) that include non-cash adjustments in translating foreign denominated monetary assets and liabilities.								

(2)	<p>The negative economic impacts of COVID-19 were determined to be an impairment indicator as of June 30, 2020 for all Neo's CGUs. In accordance with IAS 36 Impairment of Assets, the recoverable amount of Neo's CGUs was determined based on fair value less cost of disposal for the Magnequench segment and value in use for the C&amp;O and the Rare Metals segments. As a result of the impairment test, Neo recognized an impairment charge of \$59.1 million as of June 30, 2020, with \$35.1 million attributable to the C&amp;O segment and \$24.0 million attributable to the Rare Metals segment. No impairment was recorded against the Magnequench segment.</p>
(3)	<p>Represents share and value-based compensation expense in respect of the Plan, the Legacy Plan, the LTIP and the long-term value bonus plan. The long-term value bonus plan is included in selling, general, and administration expenses and has similar vesting criteria to the share-based plan and is settled in cash for non-executives and non-North Americans where implementation of a share settlement plan would have been prohibitively expensive in terms of administration and compliance. For the three and nine months ended September 30, 2021, value-based compensation expense was nil, as the financial statement impact of the liquidity event was recorded in the year ended December 31, 2020. For the three and nine months ended September 30, 2020, value-based compensation recovery was \$(42) and \$(256), respectively. Neo has removed both the share and value-based compensation expense from net income to provide comparability with historic periods and to treat it consistently with the share-based awards that they are intended to replace.</p>

(4)	<p>These represent primarily legal, professional advisory fees and other transaction costs incurred with respect to non-operating capital structure related transactions and restructuring costs related to management team changes. Neo has removed these charges to provide comparability with historic periods.</p>
(5)	<p>Represents other expenses resulting from non-operational related activities, including provisions for estimated damages for outstanding legal claims related to historic volumes, costs for disposal of historically generated NORM and fair value remeasurement of equity securities. These costs and recoveries are not indicative of Neo's ongoing activities.</p>
(6)	<p>Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this new release and in the MD&amp;A, available on Neo's website <a href="http://www.neomaterials.com">www.neomaterials.com</a> and on SEDAR at <a href="http://www.sedar.com">www.sedar.com</a>.</p>

### About Neo Performance Materials


Neo manufactures the building blocks of many modern technologies that enhance efficiency and sustainability. Neo's advanced industrial materials – magnetic powders and magnets, specialty chemicals, metals, and alloys – are critical to the performance of many everyday products and emerging technologies. Neo's products help to deliver the technologies of tomorrow to consumers today. The business of Neo is organized along three segments: Magnequench, Chemicals & Oxides and Rare Metals. Neo is headquartered in Toronto, Ontario, Canada; with corporate offices in Greenwood Village, Colorado, US; Singapore; and Beijing, China. Neo operates globally with sales and

production across 10 countries, being Japan, China, Thailand, Estonia, Singapore, Germany, United Kingdom, Canada, United States, and South Korea. For more information, please visit [www.neomaterials.com](http://www.neomaterials.com).

### **Cautionary Statements Regarding Forward Looking Statements**

This news release contains “forward-looking information” within the meaning of applicable securities laws in Canada. Forward-looking information may relate to future events or future performance of Neo. All statements in this release, other than statements of historical facts, with respect to Neo’s objectives and goals, as well as statements with respect to its beliefs, plans, objectives, expectations, anticipations, estimates, and intentions, are forward-looking information. Specific forward-looking statements in this discussion include, but are not limited to, the following: expectations regarding certain of Neo’s future results and information, including, among other things, revenue, expenses, sales growth, capital expenditures, and operations; statements with respect to current and future market trends that may directly or indirectly impact sales and revenue of Neo; expected use of cash balances; continuation of prudent management of working capital; source of funds for ongoing business requirements and capital investments; expectations regarding sufficiency of the allowance for uncollectible accounts and inventory provisions; analysis regarding sensitivity of the business to changes in exchange rates; impact of recently adopted accounting pronouncements; risk factors relating to intellectual property protection and intellectual property litigation; risk factors relating to national or international economies (including the impact of COVID-19), and other risks present in the jurisdictions in which Neo, its customers, its suppliers, and/or its logistics partners operate, and; expectations concerning any remediation efforts to Neo’s design of its internal controls over financial reporting

and disclosure controls and procedures. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Neo believes the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this discussion and analysis should not be unduly relied upon. For more information on Neo, investors should review Neo’s continuous disclosure filings that are available under Neo’s profile at [www.sedar.com](http://www.sedar.com).

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