Neo Performance Materials Reports Third Quarter 2020 Results

written by Raj Shah | November 16, 2020
November 16, 2020 (Source) – **Q3 2020 Highlights**

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

- $77.9 million in revenue
- Net income of $0.4 million, or $0.01 per share
- Adjusted Net income[(1)] of $1.3 million, or $0.03 per share
- Adjusted EBITDA[(1)] of $5.7 million
- Cash balance of $74.6 million after distributing $8.4 million in dividends to shareholders, $3.7 million to non-controlling interest partners and re-purchasing $2.1 million of stock under its Normal Course Issuer Bid Program for the first nine months of the year.
- A quarterly dividend of Cdn$0.10 per common share was declared on November 12, 2020 for shareholders of record at December 18, 2020, with a payment date of December 30, 2020.

Neo Performance Materials Inc. ("**Neo**", the "**Company**") (TSX: NEO) released its third quarter 2020 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 and on SEDAR at www.sedar.com.

HIGHLIGHTS OF Q3 2020 CONSOLIDATED PERFORMANCE

For the three months ended September 30, 2020, consolidated

revenue was $77.9 million compared to $102.6 million in the third quarter of 2019; a decrease of $24.8 million or 24.1%. Neo reported net income of $0.4 million, or $0.01 per share.

Adjusted Net Income[(1)] totaled $1.3 million, or $0.03 per share.

As of September 30, 2020, Neo had cash and cash equivalents of $74.6 million plus restricted cash of $4.0 million, compared to $84.7 million plus $4.2 million as at December 31, 2019. Neo paid $8.4 million in dividends to its shareholders and $3.7 million to its non-controlling interest partners and purchased $2.1 million of its shares under the Normal Course Issuer Bid program in the nine months ended September 30, 2020. In addition, Neo has approximately $6.5 million available under its credit facilities with a nominal amount drawn as of September 30, 2020.

“With the health and safety of our employees at top of mind during the pandemic, I am pleased that our global operations experienced no major disruptions during the third quarter, we operated profitably, and we saw customers start rebuilding inventory levels at a modest pace,” said Constantine Karayannopoulos, Neo’s CEO and Director. “In recent weeks, macroeconomic trends, and updates across our key end markets, have been consistent with the build-up of our order books. This demonstrates to me that customer demand is getting back on a path towards historical normalized levels. We have a lot of work ahead of us, and future impacts of the pandemic are impossible to predict, but I remain optimistic about the Company’s organic growth prospects. In particular, I expect our long-term growth will be further fueled by the strategic opportunities we continue to explore and review.”

SELECTED FINANCIAL RESULTS

TABLE 1: Selected Consolidated Results

	Quarter-over-Quarter Comparison		*Year-over-Year Comparison*	
	Q3 2020	**Q3 2019**	**YTD Q3 2020**	**YTD Q3 2019**
Volume (tonnes)	3,035	3,131	8,883	10,228
($000s)				
Revenue	77,864	102,645	236,295	312,911
Operating (loss) income	1,137	8,399	(58,849)	30,488
EBITDA[(1)]	5,491	12,554	(44,990)	42,722
Adjusted EBITDA[(1)]	5,730	12,786	16,566	41,276
Adjusted EBITDA %[(1)]	7.4%	12.5%	7.0%	13.2%

[(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 news release and in the MD&A.

For the three and nine months ended September 30, 2020, revenues were 24.1% and 24.5% lower, respectively, than in the corresponding periods of 2019. All three segments experienced significant decreases in revenue as volumes were adversely affected by slower economic activities, largely due to the COVID-19 pandemic.

Neo reported operating income of $1.1 million and net income of $0.4 million for the three months ended September 30, 2020. Operating loss and net loss for the nine months ended September 30, 2020 were mainly from the $59.1 million impairment of assets in the C&O and Rare Metals segments. Operationally, the most significant impact to financial performance is from lower

volumes across all three business units, which can largely be attributed to COVID-19 and the corresponding impact to customer demand across the supply chain. All three business units engaged in various cost-cutting initiatives including shortening shifts, temporarily idling certain facilities, reducing project costs and executing on other working capital reduction initiatives.

Aside from the volume impact from COVID-19, the Magnequench segment saw growth and progress in its strategy to increase magnet-making capability and sales. The C&O segment saw consistent volumes in the auto-catalyst segment compared to prior year. A portion of these strong volumes is related to the economic recovery and a portion is related to refilling the supply chain. The Rare Metals segment saw improved product margins in its Tantalum products, having worked through much of the previous higher-cost inventory that was impacting previous results; however, it was adversely impacted by the decline in Rhenium prices.

Adjusted EBITDA for the three and nine months ended September 30, 2020 was $5.7 million and $16.6 million, respectively; a decrease of $7.1 million and $24.7 million compared to the same periods in 2019.

MAGNEQUENCH SEGMENT RESULTS

TABLE 2: Selected Magnequench Results				
	Quarter-over-Quarter Comparison		***Year-over-Year Comparison***	
	Q3 2020	**Q3 2019**	**YTD Q3 2020**	**YTD Q3 2019**
Volume (tonnes)	1,095	1,385	3,390	4,197
($000s)				

Revenue	31,620	42,024	100,413	131,052
Operating income	2,965	6,135	11,925	21,780
EBITDA[(1)]	5,198	8,109	18,567	27,653
Adjusted EBITDA[(1)]	5,244	8,324	18,524	27,508

[(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 news release and in the MD&A.

For the three months ended September 30, 2020, Adjusted EBITDA was $5.2 million, a decrease of $3.1 million compared to the same period of the prior year. For the nine months ended September 30, 2020, Adjusted EBITDA in the Magnequench segment was $18.5 million, compared to $27.5 million in the corresponding period in 2019; a decrease of $9.0 million. Sales volumes, and their impact on margins and overhead absorption, were the largest contributors to the decrease in Adjusted EBITDA with other impacts including product mix, price reductions, timing of certain operational activities, changes in foreign exchange rates, and timing of pricing pass-through mechanics on material inputs.

For the nine months ended September 30, 2020, volumes in the Magnequench segment were adversely affected by customer shutdowns and slowdowns, primarily as a result of the continued impact of COVID-19. The slowdown of volumes was seen across most applications that utilize Magnequench's NdFeB magnetic powders. However, Magnequench saw increases in the production and sales of its NdFeB compression molded ("**CM**") magnets, particularly with respect to sales from the NdFeB CM magnet business it purchased in 2019. The current magnet product line primarily

serves laptop computers and consumer electronics and has been on a growth trajectory and has gained market share since the magnet business purchase by Magnequench. Certain programs and end markets that utilize Magnequench NdFeB powders and CM magnets began to recover in the latter half of the current quarter, partially due to some economic recovery and partially due to supply chains being refilled. In addition, Magnequench benefited from various cost-cutting initiatives including reducing production shifts at its manufacturing locations.

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

TABLE 3: Selected C&O Results

	Quarter-over-Quarter Comparison		***Year-over-Year Comparison***	
	Q3 2020	**Q3 2019**	**YTD Q3 2020**	**YTD Q3 2019**
Volume (tonnes)	1,929	1,713	5,330	5,901
($000s)				
Revenue	36,031	42,469	94,889	124,576
Operating (loss) income	3,145	5,134	(31,629)	15,456
EBITDA[(1)]	3,908	6,492	(28,132)	19,152
Adjusted EBITDA[(1)]	3,896	6,543	6,847	18,455

[(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 news release and in the MD&A.

For the three months ended September 30, 2020, the C&O segment reported operating income of $3.1 million, compared to $5.1

million in the prior year. For the nine months ended September 30, 2020, operating loss of $31.6 million was reported, compared to $15.5 million operating income in the corresponding period in 2019. The operating loss in the nine months ended September 30, 2020 was mainly due to the $35.1 million impairment charge recorded in the second quarter of 2020.

Operationally, for the three months ended September 30, 2020, the C&O segment saw consistent volumes in the auto-catalyst segment compared to prior year, despite the continued impact of COVID-19 and its effect on the automotive end market. A portion of these strong volumes is related to the economic recovery and a portion is related to refilling the supply chain. Overall, for the nine months ended September 30, 2020, the C&O auto-catalyst volumes have performed similar to the prior year despite the slowdown in automotive sales. In the rare earth separation end market, C&O benefited from an increase in the market price of certain products in the latter portion of the quarter. C&O did not record any meaningful spot sales in the quarter whereas the prior-year periods had significant spot sales. In the nine-month period ended September 30, 2020, C&O recorded an increase in its SG&A costs related to potential legal costs associated with ongoing patent disputes. In addition, C&O implemented both cost-cutting initiatives and initiatives to reduce working capital including idling certain production facilities for a period of time.

RARE METALS SEGMENT RESULTS

TABLE 4: Selected Rare Metals Results				
	Quarter-over-Quarter Comparison		***Year-over-Year Comparison***	
	Q3 2020	**Q3 2019**	**YTD Q3 2020**	**YTD Q3 2019**

Volume (tonnes)	91	134	323	406
($000s)				
Revenue	13,613	22,500	47,592	69,058
Operating (loss)	(892)	(155)	(25,797)	(369)
EBITDA[(1)]	(179)	946	(22,906)	3,088
Adjusted EBITDA[(1)]	(179)	963	1,108	3,951

[(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 news release and in the MD&A.

For the three and nine months ended September 30, 2020, the Rare Metals segment reported operating losses of $0.9 million and $25.8 million, respectively, compared to operating losses of $0.2 million and $0.4 million, respectively, in the corresponding periods in 2019. The operating loss in the nine months ended September 30, 2020 was mainly due to the $24.0 million impairment charge recorded in its second quarter.

Operationally, the Rare Metals segment was impacted by lower volumes and selling prices in the three and nine month periods ended September 30, 2020 compared to the prior year comparable periods. These lower volumes and selling prices were largely a result of the impact of COVID-19 impacting customer demand and the related supply chains. This decline was seen across most of the Rare Metals end markets; with the largest end market being aerospace applications. The Rare Metals segment also recorded idle capacity charges in the quarter as it slowed down production in some facilities that primarily service the aerospace end market.

CONFERENCE CALL ON MONDAY NOVEMBER 16, 2020 AT 10 AM EASTERN

Management will host a teleconference call on Monday, November 16, 2020 at 10:00 a.m. (Eastern Time) to discuss the third quarter 2020 results. Interested parties may access the teleconference by calling (647) 427-7450 (local) or (888) 231-8191 (toll-free long distance) or by visiting http://cnw.en.mediaroom.com/events. A recording of the teleconference may be accessed by calling (416) 849-0833 (local) or (855) 859-2056 (toll-free long distance), and entering pass code 5829209# until December 16, 2020 or by visiting http://cnw.en.mediaroom.com/events.

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 the operating segments, Neo also uses "OIBDA" and "Adjusted OIBDA", which reconciles to operating income. Neo uses Adjusted OIBDA and Adjusted EBITDA interchangeably as the use of adjustments in each measure provides the same calculated outcome of operating performance. 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, 2020, available on Neo's web site at www.neomaterials.com and on SEDAR at www.sedar.com.

TABLE 5: CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

($000s)		**September 30, 2020**		**December 31, 2019**
ASSETS				
Current				
Cash and cash equivalents	$	74,616	$	84,735
Restricted cash		4,035		4,185
Accounts receivable		44,654		44,297
Inventories		115,979		112,891
Income taxes receivable		2,182		1,460
Other current assets		12,552		14,230
Total current assets		**254,018**		**261,798**
Property, plant and equipment		75,193		94,490
Intangible assets		53,282		65,475

Goodwill		66,989			98,841
Investments		10,067			8,985
Deferred tax assets		2,407			805
Other non-current assets		839			837
Total non-current assets		**208,777**			**269,433**
Total assets	**$**	**462,795**		**$**	**531,231**
LIABILITIES AND EQUITY					
Current					
Bank advances and other short-term debt	$	74		$	54
Accounts payable and other accrued charges		63,353			56,138
Income taxes payable		2,161			4,756
Provisions		1,871			—
Lease obligations		1,310			1,660
Derivative liability		11,922			11,833
Other current liabilities		186			85
Total current liabilities		**80,877**			**74,526**
Employee benefits		1,828			2,031
Provisions		3,281			5,670
Deferred tax liabilities		13,666			15,894
Lease obligations		2,441			2,953
Other non-current liabilities		1,629			1,524
Total non-current liabilities		**22,845**			**28,072**
Total liabilities		**103,722**			**102,598**
Non-controlling interest		1,352			3,997

Equity attributable to equity holders of Neo Performance Materials Inc		357,721			424,636
Total equity		**359,073**			**428,633**
Total liabilities and equity	**$**	**462,795**		**$**	**531,231**

See accompanying notes to this table in Neo's Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2020, available on Neo's website at www.neomaterials.com and on SEDAR at www.sedar.com.

TABLE 6: CONSOLIDATED RESULTS OF OPERATIONS

Comparison of the three and nine months ended September 30, 2020 to the three and nine months ended September 30, 2019:

($000s)	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
	2020	**2019**	**2020**	**2019**
Revenue	$ 77,864	$ 102,645	$ 236,295	$ 312,911
Costs of sales				
Costs excluding depreciation and amortization	57,395	74,669	174,824	227,840
Depreciation and amortization	1,996	2,546	7,431	7,309
Gross profit	**18,473**	**25,430**	**54,040**	**77,762**
Expenses				
Selling, general and administrative	10,938	11,383	37,589	29,928
Share-based compensation	973	73	916	377

Depreciation and amortization			1,797			1,971			5,851		5,970
Research and development			3,628			3,604			9,449		9,985
Impairment of assets			—			—			59,084		1,014
			17,336			17,031			112,889		47,274
Operating income (loss)			**1,137**			**8,399**			**(58,849)**		**30,488**
Other (expense) income			(92)			129			(65)		(465)
Finance cost, net			(99)			(353)			(3,362)		(2,044)
Foreign exchange loss			(128)			(662)			(440)		(970)
Income (loss) from operations before income taxes and equity income (loss) of associates			**818**			**7,513**			**(62,716)**		**27,009**
Income tax expense			(1,198)			(3,612)			(811)		(8,807)
(Loss) Income from operations before equity income of associates			**(380)**			**3,901**			**(63,527)**		**18,202**
Equity income of associates (net of income tax)			781			171			1,082		390
Net income (loss)		**$**	**401**		**$**	**4,072**		**$**	**(62,445)**		**$** **18,592**
Attributable to:											

Equity holders of Neo Performance Materials Inc	$ 423	$ 3,944	$ (60,150)	$ 18,281
Non-controlling interest	(22)	128	(2,295)	311
	$ 401	**$ 4,072**	**$ (62,445)**	**$ 18,592**
(Loss) Earnings per share attributable to equity holders of Neo Performance Materials Inc.:				
Basic	$ 0.01	$ 0.10	$ (1.60)	$ 0.47
Diluted	$ 0.01	$ 0.10	$ (1.60)	$ 0.47

See Management's Discussion and Analysis for the Three and Nine Months Ended September 30, 2020, available on Neo's website at www.neomaterials.com and on SEDAR at www.sedar.com.

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

($000s)	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
	2020	**2019**	**2020**	**2019**
Net income (loss)	**$ 401**	**$ 4,072**	**$ (62,445)**	**$ 18,592**
Add back (deduct):				
Finance cost, net	99	353	3,362	2,044
Income tax expense	1,198	3,612	811	8,807

Depreciation and amortization included in costs of sales			1,996			2,546			7,431		7,309
Depreciation and amortization included in operating expenses			1,797			1,971			5,851		5,970
EBITDA			**5,491**			**12,554**			**(44,990)**		**42,722**
Adjustments to EBITDA:											
Equity income from associates			(781)			(171)			(1,082)		(390)
Other expense (income) [1]			92			(129)			65		465
Foreign exchange loss [2]			128			662			440		970
Impairment of assets [3]			—			—			59,084		1,014
Share and value-based compensation [4]			931			153			660		(1,273)
Other non-recurring costs (recoveries) [5]			(131)			(283)			2,389		(2,232)
Adjusted EBITDA		**$**	**5,730**		**$**	**12,786**		**$**	**16,566**		**$** **41,276**
Adjusted EBITDA Margins			*7.4%*			*12.5%*			*7.0%*		*13.2%*
Less:											

Capital expenditures [6]			3,407			12,603			6,436			17,241
Free Cash Flow			**2,323**			**183**			**10,130**			**24,035**
Free Cash Flow Conversion [7]			40.5%			1.4%			61.1%			58.2%

Notes:

(1)	Represents other expenses resulting from non-operational related activities. 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)	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&O and 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&O segment and $24.0 million attributable to the Rare Metals segment. No impairment was recorded against the Magnequench segment. In 2019, the $1.0 million impairment in the Rare Metals segment represents impairment of property, plant and equipment and other assets related to the closure of NRM Utah that will not be utilized as a result of the closure.

(4)	Represents share and value-based compensation expense in respect of the Legacy Plan, the LTIP and the long-term value bonus plan, which 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. Value-based compensation (recovery) of $(42) and $(256) are included in selling, general, and administration expenses for the three and nine months ended September 30, 2020, respectively, expense/(recovery) of $79 and $(1,651) and for the three and nine months ended September 30, 2019, 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.
(5)	These represents primarily legal, professional advisory fees and other transaction costs incurred/(recovered) 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)	Capital expenditures includes $9.7 million related to the assets acquired through a business combination.
(7)	Calculated as Free Cash Flow divided by Adjusted EBITDA.

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

($000s)	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
	2020	**2019**	**2020**	**2019**
Net income (loss)	**$ 401**	**$ 4,072**	**$ (62,445)**	**$ 18,592**

Adjustments to net income (loss):												
Foreign exchange loss [1]			128			662			440			970
Impairment of assets [2]			—			—			59,084			1,014
Share and value-based compensation [3]			931			153			660			(1,273)
Other non-recurring costs (recoveries) [4]			(131)			(283)			2,389			(2,232)
Other items included in other expense [5]			—			—			—			756
Tax impact of the above items			(38)			4			(3,546)			155
Adjusted net income (loss)		**$**	**1,291**		**$**	**4,608**		**$**	**(3,418)**		**$**	**17,982**
Attributable to:												
Equity holders of Neo Performance Materials Inc			1,313			4,480			(3,390)			17,671
Non-controlling interest			(22)			128			(28)			311

Weighted average number of common shares outstanding:												
Basic			37,610,846			38,522,316			37,671,721			39,117,565
Diluted			37,653,807			38,652,911			37,671,721			39,291,920
Adjusted (loss) earnings per share [6] attributable to equity shareholders of Neo Performance Materials Inc.:												
Basic			0.03			0.12		$	(0.09)		$	0.45
Diluted			0.03			0.12		$	(0.09)		$	0.45

Notes:

(1)	Represents unrealized and realized foreign exchange losses (gains) that include non-cash adjustments in translating foreign denominated monetary assets and liabilities.
(2)	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&O and 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&O segment and $24.0 million attributable to the Rare Metals segment. No impairment was recorded against the Magnequench segment. In 2019, the $1.0 million impairment in the Rare Metals segment represents impairment of property, plant and equipment and other assets related to the closure of NRM Utah that will not be utilized as a result of the closure.

(3)	Represents share and value-based compensation expense in respect of the Legacy Plan, the LTIP and the long-term value bonus plan, which 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. Value-based compensation (recovery) of $(42) and $(256) are included in selling, general, and administration expenses for the three and nine months ended September 30, 2020, respectively, expense/(recovery) of $79 and $(1,651) and for the three and nine months ended September 30, 2019, 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.
(4)	These represents primarily legal, professional advisory fees and other transaction costs incurred/(recovered) 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.
(5)	Represents certain other transactions that Neo has removed from net income to provide comparability with historic periods.
(6)	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 www.neomaterials.com and on SEDAR at www.sedar.com.

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.

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.

SOURCE Neo Performance Materials, Inc.

For further information: Ali Mahdavi, Investor Relations, (416) 962-3300, Email: a.mahdavi@neomaterials.com; Jim Sims, Media

Relations, (303) 503-6203, Email: j.sims@neomaterials.com; Website: www.neomaterials.com

Related Links

www.neomaterials.com