

Rare earths giant MP Materials invests heavily to rebuild a U.S. magnetics supply chain

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Taking private companies public through alternative investment vehicles, such as special-purpose acquisition companies (SPAC), was a popular trend in 2020 and 2021. SPAC and other deals, such as Fortress Value Acquisition Corp (FVAC), have come under scrutiny by some parties as a cash grab. However, there are multiple success stories that have been able to secure investor trust.

One company who did not fall victim to this hype is [MP Materials Corp.](#) (NYSE: MP). In fact, MP Materials has continued to impress investors since the company went public through a FVAC in December 2020. Operating the only rare earth mining and processing facility in the United States, MP Materials is poised to continue to deliver rare earths (RE) to US customers whose appetite for these materials is nearly endless.

MP Materials primarily provides lanthanum, cerium, and neodymium-praseodymium oxide. Interestingly, MP Materials has both support from the commercial and military sectors. We reported back in [December](#) that General Motors (GM) struck a deal with MP Materials to supply U.S.-sourced and manufactured rare earth materials, alloy, and finished magnets for GM's electric vehicle programs. MP Materials plans to ramp up production to support this effort in 2023, but it remains to be seen if they can meet that aggressive timeline.

The Department of Defense will help contribute to the continued operation of the Mountain Pass facility. MP Materials was

awarded a [\\$35 million contract](#) through the Industrial Base Analysis and Sustainment Program to support heavy rare earth elements (HREE) mining. These materials are critical to the development of permanent magnets that are key components in various products, from wind turbines to missile systems.

The Mountain Pass facility already has the capability to mine and process light rare earth elements (LREEs). The added capability to mine HREE will enable MP Materials to mine all rare earths for high-performance magnet production. The company will also be able to recycle all recoverable rare earths from end-of-life magnets and magnet production scrap.

The company is currently [building](#) a 200,000 sq. ft. greenfield metal, alloy, and neodymium-iron-boron (NdFeB) magnet manufacturing facility in Fort Worth, Texas. This facility will also serve as the business and engineering headquarters for MP Magnetism. Materials mined at Mountain Pass will be processed and transformed into products at the Texas-based facility. Construction of this facility began in April 2022.

These exciting new developments and other macroeconomic forces have led to a positive outlook for MP Materials. The company had a promising [first quarter](#) of 2022 and beat market expectations. MP Materials posted revenues of \$166 million—surpassing the \$132 million expected—and boasted earnings per share of \$0.50 (as opposed to the \$0.38 expected).

Revenue increased 177% year-over-year from increases in the realized price of rare earth oxide from higher demand for rare earths. The increase in revenue was also in part due to the amount of rare earth oxide sold, which occurred due to higher production volumes and shipment timings.

MP Materials also had a significant amount of free cash flow in quarter one, but that will likely change throughout the rest of

2022. The company plans to continue to heavily invest in its assets this year. These investments could result in a negative free cash flow in 2022.

It remains to be seen whether MP Materials can meet the bold promises that management is aiming for. Improving rare-earth supply chains in the United States is a massive challenge, but currently, MP Materials has a chance to get there.

GM bets big on MP Materials being the Holy Grail for an American rare earth magnet supply chain

written by Tracy Weslosky | June 14, 2022

What a difference a year makes as we review the reincarnation of the rare earths mining project in California, just across the Nevada border at the Mountain Pass mine – [MP Materials Corp.](#) (NYSE: MP), which began trading on the NYSE on November 18, 2020...announces a new rare earths magnet facility and binding long-term agreement with General Motors (GM).

Looking in the rear-view mirror for a moment, “Best Quarter Ever” would be their headline for their Q3-2021 just announced last month. By the numbers from Q3 alone, they should be proud – 98% uptime, steady and sustainable processing cost improvements, 46% margin – all things that point to a great quarter, especially with the increases in rare earths prices in the past

12 months. MP Materials saw a 127% increase in their realized rare earths oxide price compared to Q3-2020.

My phones are ringing, the experts are whispering a wide range of feedback to me as the 'new and improved' MP Materials still has many bridges to cross before the trust of those that rode the dusty trails on Mountain Pass previously will be rebuilt. Surely this is a good sign?

The GM deal with MP Materials is to "supply U.S.-sourced and manufactured rare earth materials, alloy and finished magnets for the electric motors in more than a dozen models using GM's Ultium Platform, with a gradual production ramp that begins in 2023."

The selection of Fort Worth, Texas as the location for the MP facility will be worthy of many debates but stands a distant second to the issues around securing the talent that can make this dream come true. These obvious challenges aside for a moment, management has delivered in clearly articulating where they are taking this REE program next. They told the market that the announcement of a Stage III facility would be made before the end of 2022 and here it is.

Kudos .

Mountain Pass is the only rare earths mining and processing site of commercial scale in the Western Hemisphere and currently produces approximately 15% of global rare earth content, according to them. The mine has been in production off and on since 1952 but was restarted in 2017. On going public, the MP Materials team highlighted their plan for Stage I (restore production and get the bugs out), Stage II (facilities to produce separated rare earths oxides) and Stage III (rare earths-based magnet production 2025-ish).

Sometimes you have to have a little luck to be good, toss in some deep pockets and MP Materials are reaching for quite a star, but I must confess their timeline is virtually inconceivable to everyone I know. Their original target for magnet production was 2025-ish and zealous. Now management is now saying 2023. In less than 24 months, MP Materials expects to permit and build a 200,000 square foot greenfield facility and commence commercial production of sintered permanent magnets. They also need equipment to do this – hopefully, it has already been ordered, because this is not a run-of-the-mill facility. Creating a sintered Neodymium-Iron-Boron (NdFeB) permanent magnet is not like building a washing machine, which GM must certainly be aware of. The development of permanent magnets originated in the US, but other than the equipment formerly-owned by Hitachi Metals now acquired by another nascent US rare earth producer, the US has virtually no capacity to produce sintered NdFeB permanent magnets today.

Again, on paper, this looks like an absolutely incredible strategy to re-establish a domestic source of rare earths permanent magnets in NA. Music to many our ears, if they prove they can make this happen. Having been in these trenches for too long, my experience is that the few that have the experience may be counted on one hand, and while MP Materials pockets are deep – it's going take every bit of their cash to build the magnet facility and get it operational, especially with the Stage II plans for Mountain Pass still to be executed.

With the valuation on this stock being priced as if Stage III has been accomplished and at full production, MP Materials needs this to work, as does General Motors. It's a big bet.