

Momentum versus fundamentals, that is the question for Neo Performance Materials

written by InvestorNews | November 14, 2022

I can honestly say that the volatility around earnings the last 2 to 3 quarters has been unprecedented. A miss versus expectations or disappointing guidance can lead to enormous losses for a stock with a single day double digit percentage loss becoming increasingly common. I don't know if it's related to the lack of confidence in the overall market, the rise of the retail investor (Robinhood and Reddit come to mind), or the increasing influence of algo trading that exacerbates both positive and negative momentum, but something has changed making these massive one day moves far more frequent. I guess one possible benefit to this is that if you feel the market has overreacted it could make for a great short-term trade in the event the market re-evaluates all the information available and determines things aren't as bad as the market initially thought.

That introduction sets the stage for us to review a company that continues to see sequential top line growth, has an iron clad balance sheet, is squarely in the driver's seat of the green revolution but as a result of some input cost pressures and demand issues, the bottom line saw an unexpected quarterly loss leading to a 17% yard sale on Friday. That company is [Neo Performance Materials Inc.](#) (TSX: NEO), manufacturer of 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 has a global

platform that includes 10 manufacturing facilities located in China, the United States, Germany, Canada, Estonia, Thailand and South Korea.

So let's see if we can diagnose what happened in [Q3](#) that caused the market to punish Neo, driving it down to lows not seen since the pandemic plunge in early 2020. As I noted above, revenue numbers continue to see sequential growth both quarterly and year over year in all three of the Company's business segments – Magnequench, Chemicals & Oxides and Rare Metals. For the three and nine months that ended September 30, 2022, revenues of US\$146.6 M and US\$481.1 M were 22.4% and 24.7% higher, respectively, than the corresponding periods of 2021. Unfortunately, there's more to earnings than just revenue and that's where some of the challenges in the quarter occurred.

Starting with the Magnequench division, where Neo is the world leader in the production of permanent magnetic powders used in bonded and hot-deformed, fully dense neodymium-iron-boron magnets, there was a decline in volumes compared to the corresponding periods of 2021. The recent spike in COVID-19 has affected the free flow of people and production supplies across many parts of Asia and the ongoing semiconductor chip shortage is continuing to impact customers in the automotive and other industries. Additionally, by the third quarter of 2022, selling prices for Magnequench powders declined 30% to 40% from the peak (in the first quarter of 2022) negatively affecting (when prices are falling) overall pricing and margins due to the lead-lag effect of higher cost inventory on hand. In addition to lower margin on sales in the quarter, Neo recorded \$8.0 M of provisions for inventories in the third quarter, related to higher cost inventory on hand, relative to lowered selling prices.

Moving on to the Chemicals & Oxides (C&O) division, which

manufactures and distributes a broad range of rare-earth-based industrial materials including automotive catalysts, permanent magnetics, consumer electronics, petroleum refining catalysts, medical devices, and wastewater treatment, we see a similar theme. This segment was the biggest drag on the quarter with the three months ended September 30, 2022, reporting an operating loss of US\$5.3 M, compared to operating income of \$7.1 M in the same period of 2021. The C&O segment continues to see strong demand for various rare earth products, particularly its magnetic-based products, although the segment was adversely affected by the earlier noted rapid decline of rare earth prices while processing higher cost inventory. C&O saw mixed volumes for rare earth elements but slower volumes in the environmental catalyst end markets driven by semiconductor chip shortages. The rapid decline in prices necessitated C&O to record US\$6.0 M of provisions for inventories.

As a potential investor, it's now up to you to decide if the headwinds faced in Q3 are transitory or not. Looking forward, Magnequench, which accounts for roughly 45% of Neo's revenue, has pass-through pricing agreements for rare earth magnetic elements on the vast majority of its sales contracts. Magnequench earns a targeted margin spread per ton when rare earth prices are stable and over the long term. However, the short-term timing mechanics of the pass-through agreements generally lead to increasing margins when rare earth prices rise and declining margins when rare earth prices fall. The C&O segment, accounting for a little over 1/3rd of revenue, continues to see strong demand for various rare earth products, particularly its magnetic-based products and the environmentally protective water treatment solutions business continues to perform well with higher volume and new customer adoption. The Rare Metals business continues to make progress in several key strategic initiatives, including selling more products outside

of the aerospace industry, expanding its customer base, and diversifying its total end-market exposure. Sales prices in a number of end markets have recovered and gallium-based products are exhibiting improved market demand.

Neo Performance Materials closed Friday trading at 9.2x trailing 12 month earnings, has a 4.4% dividend yield and C\$3.65/share of cash sitting on the balance sheet. Last week the Company [announced](#) it has been awarded a grant of up to 18.7 M Euros from the Government of Estonia under Europe's Just Transition Fund program to help pay for the cost of constructing a state-of-the-art sintered rare earth permanent magnet manufacturing facility in Estonia. The question is, are fundamentals the most important thing in the market these days or momentum trading?

Hastings Technology Metals buys 20 per cent of Neo Performance in strategic rare earths move

written by Raj Shah | November 14, 2022

[Hastings Technology Metals Ltd.](#) (ASX: HAS), an Australian junior mining company, has recently made some interesting moves in the rare earths space. Its major announcement on [August 26th](#) was that through an investment from Wyloo Metals in Hastings in the amount of A\$150 million, it was acquiring the majority of Oaktree Capital Management's shares in [Neo Performance Materials Inc.](#) (TSX: NEO). Oaktree acquired a controlling position in NEO

in 2015 as it emerged from the bankruptcy of Molycorp. This will result in Hastings owning somewhere in the range of 20% of NEO on the same day that NEO announced a [bought deal](#) of C\$65 million, which would dilute the original 22.1% position Oaktree was selling. From their [press release](#): “Hastings views the Acquisition as the first step in its Hastings 2.0 strategy, to create a fully-integrated mine-to- magnet supply chain business. Wyloo is supportive of this vision and Hastings is pleased to have the support of Wyloo as a strategic partner.”

Wyloo Metals is a company owned by [Andrew “Twiggy” Forrest](#), an Australian billionaire, who made his money selling iron ore from Australia. Earlier this year Wyloo outbid BHP for Noront, whose deposit in the Ring of Fire, Northern Ontario is a high-grade nickel-copper-platinum-palladium deposit with a bid worth C\$616.9 million. This recent choice by Wyloo to invest in Hastings is another move in their aim “to develop and invest in the next generation of mines”. Given the funds available from Wyloo is it possible Hastings will increase its position in NEO, given the [recent record profits](#) from NEO? They have said there is no plan to increase their holding.

On September 7th Hastings [announced](#) a A\$110 million two tranche placement with the goal to accelerate its rare earths deposit in Western Australia. In addition, they announced a non-underwriting share purchase plan (SPP) to raise up to A\$10 million. The aim is to accelerate the rare earth deposit they are developing, which is known as the Yangibana deposit in Western Australia. The deposit had a JORC resource reported in 2019. There are seven areas [reported as shown in the chart below](#):

Deposit	Tonnes	TREO	Nd ₂ O ₃ +Pr ₆ O ₁₁
		%	%
Bald Hill	4,405,000	1.02	0.41

Fraser's	638,000	1.61	0.68
Auer	728,000	1.12	0.41
Auer North	148,000	1.24	0.47
Yangibana	986,000	0.93	0.44
Yangibana West	1,478,000	1.23	0.34
Yangibana North	1,964,000	1.72	0.44
Total	10,345,000	1.22	0.43

The reported percentages of Neodymium(III) oxide (Nd2O3) and Praseodymium oxide (Pr6O11) are high compared to most other global deposits, which is intriguing, as these are the main revenue drivers in all deposits globally except for ionic clay deposits, like the ones in Southern China. What is challenging is the TREO (Total Rare Earth Oxides) grade averaging 1.22%, which will increase operating costs. By comparison, MP Materials' Mountain Pass mine in California is reported around 8%. However, Yangibana average Nd/Pr of 43% is about 3 times higher than Mountain Pass.

On February 21st of this year, Hastings [announced](#) an increase in the NPV of the Yangibana project of 84% to \$1,012 million and an IRR of 26%. When looking at Shanghai Metal Markets pricing in mid-February Neodymium oxide (Nd2O3) was \$190/kg USD and Praseodymium oxide (Pr6O11) was \$172/kg. Today those prices are \$91.11/kg or a 50% reduction.

Looking at Hastings' August and September presentations, their focus is not on separating the rare earths into single elements but view that as NEO's focus. Their stated plan is to produce 15,000 tonnes per year of a mixed rare earth carbonate, which typically is around 45-50% total rare earth oxides (TREO). This would generate 6,750-7,500 tonnes of TREO. This is over double the current capacity of NEO's plant in Estonia. Hastings has already committed 70% of their first 10 years' output to ThyssenKrupp and Skyrock, so this would leave 2,000-2,250 TPY

for NEO. ThyssenKrupp will likely sell the material to China as it does for Rainbow Rare Earths. Skyrock is a part of the Baotou rare earth group, so the majority of the Yangibana deposit will end up in China, unless there is an out clause and NEO expands its non-Chinese capacity.

It will be interesting to see how this new relationship in the rare earths space develops. This is certainly not the end of the story.

Bezos, Bloomberg and Gates look to Greenland's rare earths for a greener future

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What's going on in Greenland? It's quickly becoming the hot spot in the search for rare earths to power the green energy transition. It's a somewhat ironic twist of fate that climate change is contributing to the melting of ice cover in Greenland at an unprecedented rate, creating the opportunity for investors and mining companies by making exploration and mining in Greenland easier and more accessible. It also appears there is no shortage of capital available to pursue this chase for rare earths.

The month of August saw a couple of interesting news items come to light with respect to Greenland. First, the world learned that [Jeff Bezos, Michael Bloomberg and Bill Gates](#) are betting that there are enough critical minerals to power hundreds of

millions of electric vehicles below the surface of Greenland's Disko Island and Nuussuaq Peninsula. This is part of a very rich, very powerful investor group in privately held mining company called [KoBold Metals](#). In February the [company raised US\\$192.5 million](#) in a Series B funding round that also included Canada Pension Plan (CPP) Investment Board, Bond Capital, BHP Ventures, Standard Investments, Sam Altman's Apollo Projects, Mitsubishi, and Sarah Kunst's Cleo Capital. Some of this capital goes towards funding the company's exploration of the joint venture 2,776 km² [Disko-Nuussuaq](#) Magmatic Massive Sulphide nickel-copper-platinum-cobalt project located on the southwest coast of Greenland with London listed [Bluejay Mining PLC](#) (AIM: JAY).

Then at the end of August [Neo Performance Materials Inc.](#) (TSX: NEO) announced it had [executed a binding agreement](#) whereby Neo will acquire from [Hudson Resources Inc.](#) (TSXV: HUD | OTC: HUDRF) an exploration license covering the [Sarfartoq Carbonatite Complex](#) in southwest Greenland. The Sarfartoq Project hosts a mineral deposit that is enriched in neodymium and praseodymium, two essential elements for rare earth permanent magnets used in electric vehicles, wind turbines, and high-efficiency electric motors and pumps that help reduce greenhouse gas emissions. It makes a lot of sense for Neo to develop the Sarfartoq Project to further diversify its global sourcing of rare earth ore and to expand the rare earths supply chains that feed Neo's rare earth separation facility in Estonia. Neo is also pursuing plans to break ground on a greenfield rare earth permanent magnet manufacturing plant in Estonia that is intended to provide European manufacturers with their permanent magnet needs.

But what is the significance of all this activity in Greenland? This giant North Atlantic landmass, with only 57,000 residents, was famously sought after by none other than President Trump, who floated the idea of buying Greenland multiple times back in

2019 from Denmark, its former colonial power. Bluejay Mining believes that both previous studies and work conducted by the company have already highlighted the Disko Project area potential to host mineralization similar to the world's largest nickel/copper sulphide mine Norilsk-Talnakh in Siberia. In fact, Kurt House, CEO of KoBold Metals is quoted as saying: "We are looking for a deposit that will be the first- or second-largest most significant nickel and cobalt deposit in the world." Perhaps this is what is making Greenland so popular.

Another factor that has brought Greenland to the forefront in the hunt for critical minerals is the rapidly changing northern climate, which is making ice-free periods in the sea longer, allowing teams to ship in heavy equipment and ship out metals to the global market more easily. Additionally, retreating ice is exposing land that has been buried under the ice for centuries or even millennia, but could now become a potential site for mineral exploration. This is playing out on a much smaller scale in British Columbia's "golden triangle", where retreating glaciers have exposed continuations of some of the gold plays in the region.

If anything good can come from climate change, perhaps Greenland's environmental misfortune can potentially help the world turn the corner in its quest to advance the green revolution as quickly as possible. Whatever happens, some big names and a lot of money is being thrown at projects in Greenland right now, bringing this barren and desolate part of the world back into the news and to the attention of investors.

Market eyes Neo Performance Materials Constantine Karayannopoulos with, what's next?

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August is usually a slow time for business and news as it is the end of the summer holiday season in the Northern hemisphere, but this August has been a particularly busy time for [Neo Performance Materials Inc.](#)'s (TSX: NEO) management team, especially CEO Constantine Karayannopoulos.

Announcements have been coming fast and furious. Let's start with the most surprising news first:

- [Hastings Technology Metals acquires a 22.1% shareholding in Neo Performance Materials](#) – August 26, 2022

On August 26th [Hastings Technology Metals Ltd](#) (ASX: HAS) announced it was [acquiring a 22.1% shareholding](#) in Neo Performance Materials by buying out most of the position of Oaktree Capital Management, L.P. (Oaktree) fund OPPS NPM SARL. Oaktree will sell 8,974,127 shares at C\$15/share. Prior to this OPPS held 9,878,155 shares. The funding comes from Wyloo Metals, a private Australian metals company formed by Andrew "Twiggy" Forrest, whose worth is reported at US\$17.5 billion. Wyloo will invest the money into Hastings who in turn will acquire the shares from the Oaktree subsidiary.

- [Neo Performance Materials Announces \\$67.5 Million Bought Deal Treasury Offering of Common Shares](#) – August 26, 2022

On the same day as the announcement of the share acquisition by Hastings, a bought deal was announced with Paradigm Capital being the lead underwriter. The deal was done at \$15/share. At the time of writing, Neo Performance Materials was trading at \$14.25. There are over 40 million shares outstanding so after this deal, there will be 45 million shares. According to the press release the funds will be used for “general corporate purposes including the expansion, maintenance of global assets and the pursuit of strategic growth opportunities around the globe.” Expansion of the operations in Estonia is likely one area for the usage of the funds. Having visited the plant over a decade ago it is a Soviet era plant which runs nitric acid to separate the rare earths. Neo Performance Materials’ two plants in China use hydrochloric acid. The nitric route is high initial capex as every component is made from stainless steel but has lower opex than the Chinese approach. At a capacity of 3,000 TPY of rare earths oxides the Greenland deposit would produce 750 TPY of Nd/Pr or about 2,500 tonnes of magnets. A nominal size.

- [Second quarter results with records for revenue, Operating income and adjusted EBITDA](#) – August 12, 2022

This is due to the high prices for the four key magnetic elements, Neodymium, Praseodymium, Terbium and Dysprosium, which hit prices not seen in the past decade. Since then, Nd and Pr have dropped about 50%, Tb 20% and Dy 35%, which means it will be a challenge for Q3 results to match Q2 numbers.

- [Neo Secures \\$75 Million Loan to Finance Expansion and Relocation Of Its Environmental Emissions Catalyst Business](#) – August 17, 2022

This financing came from Export Development Canada (EDC). The

credit facility matures in 5 years and is available in 3 tranches of \$25 million. The funds will be used to relocate its rare earth plant in Zibo, Shandong province, China, to a nearby industrial park which will provide access to water treatment and waste/water recycling. This plant produces high value materials for automotive catalytic converters. The relocation is to expand capacity from 4,000 TPY REO to 5,000 TPY REO. Based on reported analysis for Baiyan Obo this expanded capacity will produce 370 tonnes of Nd/Pr oxide which would generate an additional 1,300 TPY of NdFeB magnets.

- [Hudson Resources and Neo Performance Materials Sign Agreement on The Sarfartoq Rare Earth Element Project in Greenland](#) – August 22, 2022

This is an interesting move by Neo as they only tried to go upstream into mining once before when they got involved in a tin mine in Brazil over a decade ago. The development of this project would provide a source for their plant in Estonia which gets most of its raw material from Russia presently with the [balance from Energy Fuels Inc.](#) (NYSE American: UUUU | TSX: EFR) in the USA. The deal is a non-refundable deposit of \$250k. Once the Greenland government gives approval for transfer of the license to Neo or its special purpose entity, Neo will pay Hudson Resources an additional \$3.25 million. There are two projects in the deal. One is an REE project in SW Greenland and a nearby Nb/Ta. Deposit. The Neo plant in Estonia also produces high purity Nb and Ta metal as well as rare earths so there is synergy in this deal. The 2011 43-101 report on the REE project showed an indicated resource of 5.9 million tonnes at 1.8% rare earth oxide which translate to about 100,000 of rare earth oxides. It is an underground mine opportunity which will bring added cost to the mining process. Should Neo proceed with this acquisition it will need to develop a camp onsite and decide

where to upgrade the ore prior to shipping a concentrate to Estonia – all challenges Canadian companies have dealt with for decades.

If Neo Performance Materials is an indicator for the rare earths sector, one can only wonder what's next.

Neo Performance and Hastings – Will Wonders Never Cease?

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The term “Holy Moley” is seldom, if ever, used by us but our powers of speech are severely hampered by trying to digest the implications of the [latest deal](#) in the rare earths space. [Neo Performance Materials Inc.](#) (TSX: NEO) has now succeeded in flooring us twice in two weeks.

First, there was its [announcement](#) that it was acquiring a rare earths elements (REE) mining project in Greenland and making all the right noises as if it was going to move that forward (and if anyone can, it would be them). And then we have the shock announcement that [Hastings Technology Metals Ltd](#) (ASX: HAS), the sometime REE developer in Australia, is to acquire a 22.1% strategic shareholding in Neo Performance Materials. We need not remind investors that Neo is not only a leading global rare earths processing and advanced permanent magnets producer, but it is **THE** leading global rare earths processing and advanced permanent magnets producer outside China, with a string of plants around the world and most particularly its Silmet plant in Estonia, which is a cornerstone of the monazite sands

processing strategy of [Energy Fuels Inc.](#) (NYSE: UUUU | TSX: EFR).

The market cap of Neo, on the eve of this announcement, was CAD\$605 million. The acquisition has been agreed at a price of CAD\$15.00 per Neo share, representing a total consideration of CAD\$135 million. Bargain basement, indeed, in our view.

According to the release, the acquisition is intended to be funded by an AUD\$150 million strategic investment in Hastings by Wyloo Metals through the issuance of secured, redeemable, exchangeable notes.

Interestingly, the stake is not a *de novo* investment by Hastings but rather the purchase of a stake from an affiliate of Oaktree Capital Management. Those with long memories will recall that this stake dates back to the ancient history of when Molycorp went spectacularly bust just under ten years ago and Neo was reconstituted bigger and better out of the ruins. The stake being vended by Oaktree consists of 8,974,127 common shares in Neo, representing a 22.1% shareholding.

The proposed acquisition provides Hastings (and Wyloo) with a strategic stake in Neo and exposure to the global downstream processing of rare earth materials into magnets.

We have written about Hastings' Yangibana deposit so long ago that we must fight through a veil of cobwebs to find what we wrote. The company claims that the project remains the key priority for Hastings, "with good progress being made on funding initiatives and other key milestones." But they would say that, wouldn't they?!

The acquisition of the Neo stake, and in particular the Wyloo investment, are subject to shareholder approval (50% voting threshold). All this begs the question as to whether Canada (or

indirectly the US) will allow the crown-jewel (indeed the Queen on the REE chessboard) to pass into the hands of Wyloo Metals.

Mark Chalmers and Constantine Karayannopoulos on working together to supply rare earths magnets

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In this InvestorIntel PDAC 2022 Panel on “Rare Earths, Sustainability & Meeting the EV Market Demand”, host Tracy Weslosky is joined by [Energy Fuels Inc.](#) (NYSE American: UUUU | TSX: EFR) President and CEO Mark Chalmers and [Neo Performance Materials Inc.](#) (TSX: NEO) President, CEO and Director Constantine Karayannopoulos, to talk about their unique business relationship and the challenges and opportunities of getting rare earths magnets to market.

In the interview, which can also be viewed in full on the InvestorIntel YouTube channel ([click here](#)), Mark talks about the unique relationship between Energy Fuels and Neo Performance Materials to integrate the rare earths process and meet the increasing world demand for providers of EV materials from outside of China. Constantine describes the moment when he and Mark “realized that between the two of us we had all the pieces of the puzzle and that we could put together a very full supply chain.”

Constantine goes on to discuss how Neo Performance Materials works with Energy Fuels in Utah, which “takes out the uranium for the uranium business for his customers and recovers the rare earths in a way that works for us,” separating the rare earth elements, turning them into metals alloys and finally the magnets needed by the EV industry.

Mark says that the relationship between the two companies work not only because they each have something that the other needs, but because “we are doers, not promoters. We’re trying to accomplish big things by actually doing it on the ground.” With increasing demand from European EV automakers, Mark goes on to say “we’re looking at being a world significant integrated supplier of rare earth products from the beginning to the end.”

To access the full InvestorIntel interview, [click here](#)

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About Energy Fuels Inc.:

Energy Fuels is a leading U.S.-based uranium mining company, supplying U_3O_8 to major nuclear utilities. Energy Fuels also produces vanadium from certain of its projects, as market conditions warrant, and is ramping up commercial-scale production of rare earth element (“**REE**”) carbonate. Its corporate offices are in Lakewood, Colorado, near Denver, and all its assets and employees are in the United States. Energy Fuels holds three of America’s key uranium production centers: the White Mesa Mill in Utah, the Nichols Ranch in-situ recovery (“**ISR**”) Project in Wyoming, and the Alta Mesa ISR Project in Texas. The White Mesa Mill is the only conventional uranium mill operating in the U.S. today, has a licensed capacity of over 8 million pounds of U_3O_8 per year, and has the ability to recycle alternate feed materials from third parties, to produce

vanadium when market conditions warrant, and to produce REE carbonate from various uranium-bearing ores. Energy Fuels is also evaluating the potential to recover medical isotopes for use in targeted alpha therapy cancer treatments. The Nichols Ranch ISR Project is on standby and has a licensed capacity of 2 million pounds of U_3O_8 per year. The Alta Mesa ISR Project is also on standby and has a licensed capacity of 1.5 million pounds of U_3O_8 per year. In addition to the above production facilities, Energy Fuels also has one of the largest SK-1300/NI 43-101 compliant uranium resource portfolios in the U.S. and several uranium and uranium/vanadium mining projects on standby and in various stages of permitting and development.

To learn more about Energy Fuels Inc., [click here](#)

About Neo Performance Materials Inc.

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, research and development, and production facilities and offices across 10 countries: Japan, China, Thailand, Estonia, Singapore, Germany, United Kingdom, Canada, United States, and South Korea.

To learn more about Neo Performance Materials Inc., [click here](#)

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If you have any questions surrounding the content of this interview, please contact us at +1 416 792 8228 and/or email us direct at info@investorintel.com.

Rising demand benefits the only integrated producer of bonded rare earth permanent magnets outside of China

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[Neo Performance Materials Inc.](#) (TSX: NEO) (Neo) is an almost totally integrated Western (Canadian) company that processes mixed rare earth concentrates to produce separated individual and specifically blended rare earths to produce rare earth metals, alloys, and “bonded” rare earth permanent magnets. What makes Neo special is that they are the only company in the world that operates dual supply chains inside and outside of China for REE separation and REE advanced materials and end-use products. Neo owns the only operating commercial rare earth separation facility outside of Asia. It’s in Europe (Estonia facility) and it has sales and production centers spread across [10 countries](#) globally.

All of the above makes Neo unique as a Western producer of rare earth materials as well as end-use products, which are critical in the green energy and EV revolution.

Award winning facilities

As announced on [February 22](#) and [March 28, 2022](#), Neo won awards for two of its key factories, the first in Thailand and the second in Estonia. The awards were Gold Medals awarded by EcoVadis for 2021 sustainability performance.

The second announcement [stated](#): “This places Neo’s Silmet facility in Sillamäe, Estonia in the top five percent of all facilities around the world reporting to EcoVadis for its sustainability programs in 2022... The Silmet facility processes mixed rare earth feedstock into a variety of high-purity rare earth specialty materials, including neodymium-praseodymium (NdPr) oxide, which is used by Neo’s Magnequench business unit to produce neodymium-iron-boron (NdFeB) magnetic materials and magnets for automotive, factory automation, home appliance, circulation pump, and other applications.”

This impressive recognition is also very well timed given the surging demand for NdFeB magnets used in many EV motors. Global electric car sales finished March 2022 with [851,000](#) sales for the month (the second best month ever), 60% higher YoY, with market share of 15%.

The global OEM automotive industry today uses mainly sintered NdFeB rare earth permanent magnets, but the use of bonded type NdFeB in this application is growing rapidly. Neo has pioneered the use of bonded NdFeB magnets in automotive applications with Japanese customer/partner, Honda, and this use is expanding. Neo has agreed with European magnet customers to expand its capacity there and to add sintered NdFeB magnets to its product lines. The EU has encouraged and is financially supportive of this move by Neo.

Prices for rare earths materials and end-user products used in the green economy have been surging the past year, due to demand exceeding supply, and this is reflected in Neo’s latest financial results. This supply deficit looks to be baked in for at least the next decade due to the growth of the green economy.

Q4 2021 and Full-Year financial results highlights (in USD)

As [reported](#) on March 10, 2022, Neo achieved the following

outstanding financial results:

- “Q4 2021 revenue of \$153.4 million higher by 39.0% YoY; full-year 2021 revenue of \$539.3 million was higher by 55.5% YoY.
- Volumes in the fourth quarter of 3,311 tonnes; full-year volumes expanded by 20.2%.
- Operating income of \$12.7 million in the quarter; \$59.9 million for the year.
- Adjusted Net Income for the quarter of \$16.1 million, or \$0.39 per share, with full-year Adjusted Net Income of \$55.0 million, or \$1.42 per share.
- Adjusted EBITDA for the quarter of \$19.7 million; 2021 Adjusted EBITDA of \$81.9 million was 183.7% higher YoY.
- Cash balance of \$89.0 million after raising \$38.0 million from equity offering and distributing \$12.8 million in dividends to shareholders.”

As shown above, full-year 2021 revenue was 55.5% higher YoY, based on volume growth of 20.2%. Clearly higher-end product prices helped support the stellar results. Neo sums it up well and the general direction the business is heading by stating:

“Neo reported strong year-over-year (YoY) gains in revenue, volumes, operating income, Adjusted EBITDA, and profitability in the year ended December 31, 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.”

I did warn investors that this was what we were expecting from Neo with our December 22, 2021 article: [“Neo Performance Materials looks to expand capacity as it rides the tailwind of growing rare earth permanent magnet demand.”](#)

Neo Performance Materials is one of a few Western companies able

to process rare earths and make magnets



Source: [Neo Performance Materials website](#)

Closing remarks

Neo Performance Materials occupies a rare and critical position in the Western supply chain to produce rare earths specialty products. Demand for powerful rare earth type magnets used in many consumer goods as well as in wind turbines and EVs is expected to surge this decade.

Neo Performance Materials trades on a market cap of [C\\$546 million](#) and a current PE of [17.6](#). 2022 PE is forecast at [7.82](#).

The next catalyst for Neo will be the Q1, 2022 earning results due out before the market opens on [May 13, 2022](#). Stay tuned.

Constantine Karyannopoulos on Neo Performance Materials' banner sales and profits in 2021

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In a recent InvestorIntel interview with Tracy Weslosky, [Neo Performance Materials Inc.](#)'s (TSX: NEO) President, CEO and Director Constantine Karayannopoulos detailed Neo Performance's dramatic rise in revenues and profits in 2021, the highest

profits in the consistently profitable company's history. He then outlined his plans for Neo to maintain and continue an upward revenue and profits trajectory. Constantine also said that Neo's gold medal winning ESG audit for its (European) Estonian operations would be a goal for all of its worldwide operations.

The discussion also covered the variety of Neo's products and their uses and markets not only in rare earths but also in other critical technology metals, including gallium, niobium, and tantalum for the electronics and specialty alloys industries.

Constantine pointed out that Neo Performance Materials is the most vertically integrated rare earths products manufacturer in the world outside of China, and one of only two niobium and tantalum processors in Europe. It is the only commercial separator of rare earths in Europe. All of its products are in high demand by the OEM automotive industry and the OEM semiconductor industry. Neo, he also said, is the leading manufacturer of bonded-type rare earth permanent magnets in the world, and their use in the OEM automotive industry is rapidly expanding.

To watch the full interview, [click here](#)

About Neo Performance Materials Inc.

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, research and development, and production across 10 countries, being Japan, China, Thailand, Estonia, Singapore, Germany, United Kingdom, Canada, United States, and South Korea.

To learn more about Neo Performance Materials Inc., [click here](#)

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If you have any questions surrounding the content of this interview, please contact us at +1 416 792 8228 and/or email us direct at info@investorintel.com.

Constantine Karayannopoulos, Jack Lifton and Byron W. King on the synergies between the global rare earths' supply and the real-world markets

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In this episode of **Critical Minerals Corner**, Jack Lifton and Critical Minerals Corner Co-Host & InvestorIntel Columnist Byron W. King are joined by Constantine Karayannopoulos, President, CEO and Director of [Neo Performance Materials Inc.](https://www.neo-performance.com) (TSX: NEO). Constantine describes the real state of the rare earth mining, refining, and end-use product industry, outside of China, as it exists and operates today, from the perspective of the largest non-Chinese owned vertically integrated, beyond the mine, rare earth products producer in the world. Questions from Jack and Byron lead Constantine to describe and differentiate today's European and North American markets with regard to their sizes,

existing supplies and suppliers, and their futures as he sees them.

Although Neo Performance Materials is a Canadian company, headquartered in Toronto, it produces and sells rare earth product lines within China, Europe, SE Asia, and North America. Jack points out that this makes Constantine Karayannopoulos a uniquely qualified expert to analyze the global rare earths' products' markets. And surmises that those watching may learn a great deal in this conversation about the synergies between rare earths' supply and the real-world markets.

To access the complete episode of this Critical Minerals Corner discussion, [click here](#)

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Under the Hood with a rare earths' products manufacturer that is consistently profitable and cashed up

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Apparently, my "watchlist" is far too large these days. When I circle around to have a look at some of the names on the list, I'm often shocked by the progress they've made since the last time I looked at them. Fortunately, in some cases, I can potentially still purchase the stock at a price comparable to the last time I reviewed it, despite its success in the interim. Today is a great example of this. It's a stock that I last [wrote about](#) in June 2021. Since that time the Company has continued to grow its revenue and be profitable, increased the cash on its balance sheet, pays a quarterly dividend and yesterday closed 6.5% lower than it was trading at the beginning of last June.

That company is [Neo Performance Materials Inc.](#) (TSX: NEO), which is currently trading at 17x trailing 12-month earnings, has a 2.5% dividend yield and over \$2/share of cash sitting on the balance sheet. These may not seem like outstanding metrics for an industrial stock as compared to its peers but Neo Performance is not like its industrial peers. They are sitting squarely in the driver's seat of the green revolution. Neo manufactures the building blocks of many modern technologies that enhance efficiency and sustainability. The Company'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 are used in numerous end-use applications including micro motors, traction motors, auto catalysts, water pollution controls, healthcare (such as medical imaging), aerospace, clean energy technologies (such as HEVs and EVs), consumer electronics (such as smartphones and tablets), fiber optics, HDDs and a number of other applications.

Not only is Neo involved in the manufacturing of materials integral to a sustainable future, but there's also the old real estate adage – location, location, location. The Company's Estonian facility is the only commercial producer of rare earths in Europe and one of only two producers of aerospace-grade tantalum and niobium in the EU. A key business focus is to meet the rapidly growing demand for magnetic rare earths in Europe, which are needed by electric vehicles and high-efficiency electric motors. Neo is partnering with industry and government leaders across Europe with an aim toward helping establish production in Europe of sintered neo magnets to help meet demand using rare earth feedstock from North America and elsewhere outside of China. If you are like me and that last sentence is a little over your head, I encourage you to go to the Company's [website](#) and click on all the "Learn More" boxes. It's pretty fascinating stuff, even if I still didn't understand a lot of it.

As bullish as this sounds, coupled with a track record of success and growth over the last couple of years, I can see a couple of things that may account for the uninspired performance of the stock price of late. The first is that 37% of corporate revenue in 2021 came from Chinese customers. With China's zero tolerance COVID policy and lockdown after lockdown making the news headlines, investors may wonder if Q1/22 financials might be impacted. They might, but that is somewhat short sighted in my opinion. Yes, I realize COVID has been annoying us for over 2

years now, but the world is adapting and starting to get on with life. It's possible there could be an impact to Q1 numbers but if there is, I would simply view that as a buying opportunity if the stock were to sell off (assuming this was the sole reason). Secondly, investors might be concerned that Estonia is a neighbor of Russia and formerly part of the USSR, which Putin seems to want to reunify. However, Estonia is part of NATO (and the EU), and thus not likely to be in Putin's sights anytime soon as I'm pretty sure he doesn't want to stick his hand in that hornet's nest, especially given how poorly things are going for him in Ukraine at present. So without trying to understate the atrocities and humanitarian crisis going on in Ukraine, I personally don't view there to be much, if any, risk to Neo's Estonian assets.

As the market is tending to drift towards value and industrial stocks with the specter of rising interest rates making investors second guess the multiples applied to tech stocks, assuming they even have earnings, one could question why Neo's stock price is trading far closer to its 52 week low instead of its 52 week high. Even if it were considered a "show me" stock, I would suggest looking at the last 4 (or more) quarterly earnings and question what else investors might be looking for. Net income, positive cash flow, virtually no debt and a 2.5% dividend yield put Neo Performance on a pretty good footing. Then consider the upside of the business segment they are involved in and one can make a strong case for taking a closer look at Neo Performance Materials.