Neo Performance Materials Breaks China’s Rare Earth Magnet Monopoly

written by InvestorNews | August 15, 2025

August 15, 2025 — Rare earth magnets may be invisible inside an electric motor, but in Rahim Suleman’s hands they have become geopolitical fulcrums. “Regardless of whether rare earth prices are high or low, it doesn’t really matter to Neo,” the President and CEO of [Neo Performance Materials Inc.](#) **(TSX: NEO | OTCQX: NOPMF)** told InvestorNews host Jack Lifton in a recent interview, underscoring the competitive moat that a diversified, mid-stream strategy offers when 93% of the world’s magnet production still flows from China.

Founded in Toronto yet operating across six countries, Neo manufactures the specialty chemicals, magnetic powders, and alloys that power electric vehicles, wind turbines, and smartphones. Its three business units—Magnequench, Chemicals & Oxides, and Rare Metals—represent a 30-year cultivation of technology that the West allowed to atrophy elsewhere. That legacy paid off in the second quarter: Adjusted EBITDA surged 42% year-over-year to $19 million, prompting management to raise 2025 guidance to as much as $68 million. “Our performance provides a strong foundation to execute on our clear strategic path,” Suleman said in last week’s earnings release, noting 31% volume growth at Magnequench.

Lifton opened the conversation by recalling advice he heard from a former Neo chief nearly two decades ago: stay out of mining’s boom-and-bust. Suleman concurred. “We’ve always focused on the midstream and the downstream… We’re profitable today, cash-flow generating today, and we have a fairly small sustaining capex budget." That discipline allows Neo to pass raw-material volatility straight through to customers while concentrating capital on higher-margin processing and magnet fabrication.

Yet for all its financial rigor, Neo has not retreated from technological ambition. Construction is nearing completion on a permanent-magnet plant in Narva, Estonia—hailed by European Commission President Ursula von der Leyen at June's G7 Summit—and the grand opening is penciled in for September. A pilot heavy-rare-earth separation line is rising next door, set to deliver dysprosium and terbium in quantities small by Chinese standards but unprecedented in the West. Lifton pressed the point: **"If what you're saying is correct… you will be the first company in the history of the western world to have done that."** Suleman replied that the line, though modest, is "capable of real production, going into magnets and vehicles," and represents the seed of a full-scale heavy rare earth facility once consistent feedstock emerges.

Feedstock, of course, is where many Western ambitions stall. Neo still operates a heavy-earth separator in China—subject to export-control red lines—and complements it with light-earth capacity in Thailand and now Europe. Suleman insisted the company abides by every jurisdiction's laws and is developing know-how in Europe without violating Chinese technology-transfer restrictions. The result is a dual-track model: leverage entrenched Chinese operations while nurturing non-Chinese supply chains so that customers can point to provenance when governments tie incentives and tariffs to on-shore content.

Market geography looms large in Neo's calculus. "Many people understand the size of the U.S. market, but… Europe is two-and-a-half times bigger than the U.S." when measured by motor output, Suleman said. Government grants, fast permitting and eager automotive customers have already validated the Estonian investment, including a new traction-motor magnet award worth an estimated $50 million in cumulative revenue. Even so, the chief executive left the door ajar to an American expansion if the "right circumstances" materialize, hinting at ongoing discussions with Washington but declining details.

Neo's numbers suggest plenty of bandwidth for either continent. Second-quarter revenue climbed to $114.7 million, while operating income reached $8.2 million. The Rare Metals segment, buoyed by gallium recycling in North America and hafnium demand amplified by U.S. tariffs, delivered $10.8 million in Adjusted EBITDA. Chemicals & Oxides more than doubled its profitability after selling legacy Chinese separation assets and ramping a new emissions-control catalyst line. Meanwhile, Magnequench shipped 37% more bonded magnets into EV traction motors and other strategic niches where Chinese competitors often struggle to meet Western traceability audits.

Lifton, a veteran observer of rare earth cycles, applauded the breadth: "You have the right-sized operation, in the right market, at the right time." Suleman demurred, arguing that a vibrant ecosystem needs multiple qualified players. "We'd like to see more capability, more awareness, and customer confidence in the supply chain," he said. But scale alone cannot replicate Neo's institutional memory. The firm still pays a quarterly dividend—C$0.10 per share declared for payment on September 26—and repurchased $2.3 million of stock since June, signalling management's conviction that the market undervalues a company capable of building magnets on three continents and separating heavy rare earths where no one else yet can.

As the interview wound down, Lifton confessed he once doubted such progress was possible outside East Asia. A visit to Neo's Silmet works in Estonia changed his mind, and he plans to attend the September ribbon-cutting. Suleman welcomed the scrutiny.

"The market is enormous," he said, "and if we're going to build a parallel supply chain, we need a better distribution of supply and capability." In a world that only recently awoke to its dependence on a single country for the magnets that spin turbines and propel electric drivetrains, the company's audacity resonates far beyond its balance sheet.

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