

# Neo Announces Agreement to Sell Majority Equity Interest of China Rare Earth Separation Assets for USD \$30 Million in Cash

written by Raj Shah | August 20, 2024

- Purchaser is an integrated rare earth mining and separation industry leader, supporting growth potential and scale of assets
- Neo to retain exclusive distribution rights for JAMR's premium heavy rare earth products to international customers

August 20, 2024 ([Source](#)) – Neo Performance Materials Inc. (“Neo” or the “Company”) (TSX: [NEO](#)) announced today that it has entered into agreements (the “Transactions”) to sell (i) 86% equity interest in Jiangyin Jiahua Advanced Material Resources Co., Ltd. (“JAMR”) to Shenghe Resources Holding Co., Ltd (“Shenghe”) for approximately USD \$25.6 million cash; and (ii) 100% of the equity in Zibo Jiahua Advanced Material Resources Co., Ltd. (“ZAMR”) to Shenghe for approximately USD \$4.1 million cash. JAMR sales proceeds represent a 10.7x multiple on average trailing five-year EBITDA for the facility. The ZAMR facility was valued using an asset-based approach, as the facility was closed in the second quarter of 2024.

The Company will retain a 9% equity interest in JAMR following the closing of the Transactions and will execute an agreement

securing the exclusive right to distribute JAMR's heavy rare earth products outside of China for an initial term of 5 years. This is expected to provide the Company's customers outside of China with continuity of supply for premium products like dysprosium for multi-layer ceramic capacitors and medical-grade gadolinium.

*"As the rare earth industry in China has evolved, this is the right time to transition our rare earth separation businesses inside China to an integrated rare earth industry leader. It is our view that larger production and sourcing scale is required to create more value for these midstream assets. We are pleased to have found a partner for this vision in Shenghe, a company with proven commercial excellence and an established global sourcing platform. We look forward to our continued partnership,"* said Rahim Suleman, President and Chief Executive Officer of Neo.

*"We are pleased to partner with Neo on this mutually beneficial agreement for both our companies and our customers. Both JAMR and ZAMR have had excellent reputations over the last three decades in Neo's ownership and management. By integrating them into Shenghe's large, global platform, we look forward to the next growth chapter for these assets,"* said Huang Ping, the acting Chairman of Shenghe.

Shenghe is a leading rare earth company, with over 20 years of experience. Through its strong supply chain relationships both inside and outside of China, Shenghe has the capability to expand JAMR's access to raw materials. Shenghe is also expected to integrate ZAMR's remaining assets and employees in its operations.

JAMR has been a continuously operating asset in the Company's portfolio for three decades, earning a reputation as a leading

producer of specialty heavy rare earth products for global markets. JAMR's leadership team have made valued contributions to the development and success of the Company and the rare earth industry at large.

The Company discontinued ZAMR's rare earth separation operations in April 2024, shifting operational focus to the newly constructed downstream rare earth specialty oxides facility, NAMCO, in the same region.

### **Sale Aligns with Strategic Transformation Initiatives**

This change in operating footprint is aligned with the Company's continuous operational excellence strategy to:

- improve return on capital employed and free up working capital to further pursue Company's downstream strategy; and
- reduce overall Company earnings volatility, as rare earth separation is the process step with highest exposure to underlying rare earth price volatility.

Neo remains committed to a transformation through a simplification of operations and a clear focus on high margin, downstream areas. The Company will continue its midstream rare earth separation operations in Europe.

### **Closing Conditions and Timing**

The Transactions are subject to approval by regulatory authorities in China and other customary conditions to closing. The Transactions are expected to close in Q4 2024.

All financial information presented in this press release is in USD equivalents, while the Transactions are denominated in RMB.

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

This news release may contain “forward-looking information” within the meaning of applicable Canadian securities legislation. Generally, but not always, forward-looking information and statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or the negative connotation thereof or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative connotation thereof. Specific forward-looking statements in this news release include, but are not limited to, the completion of the Transactions and other matters relating thereto. In making the forward-looking information in this news release, the Company has applied certain factors and assumptions that are based on its current beliefs as well as assumptions made by and information currently available to the Company. Although the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect, and the forward-looking information in this release are subject to numerous risks, uncertainties and other factors that may cause future results to differ materially from those expressed or implied in such forward-looking information. There are many risk factors associated with the completion of the Transactions. A number of factors could cause actual results to differ materially from those anticipated by the Company, including but not limited to the risks and uncertainties inherent in the nature of the Transactions including the failure to obtain necessary regulatory approvals, or to otherwise satisfy the conditions of the Transactions, in a timely manner by the outside date or at all, risks of a material adverse change the Company’s assets or revenues, or risks of unknown

liabilities that may arise.

Readers are cautioned not to place undue reliance on forward-looking information. The Company does not intend, and expressly disclaims any intention or obligation to, update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required by law. For more information on Neo, investors should review Neo's continuous disclosure filings that are available under Neo's profile at [www.sedarplus.ca](http://www.sedarplus.ca).

### **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, United States; Singapore; and Beijing, China. Neo has a global platform that includes 10 manufacturing facilities located in China, the United States, Germany, Canada, Estonia, Thailand and the United Kingdom, as well as one dedicated research and development centre in Singapore. For more information, please visit [www.neomaterials.com](http://www.neomaterials.com).

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