Neo Completes Sale of Majority Equity Interest of China Rare Earth Separation Assets

written by Raj Shah | April 1, 2025

April 1, 2025 (Source) – Neo Performance Materials Inc. ("**Neo**" or the "**Company**") (TSX: NEO) announced today that it has completed the sale to an affiliate of Shenghe Resources Holding Co., Ltd. ("**Shenghe**") of (i) 86% of the equity interest in Jiangyin Jiahua Advanced Material Resources Co., Ltd. ("**JAMR**") for USD $24.6 million cash; and (ii) 88% of the equity in Zibo Jiahua Advanced Material Resources Co., Ltd. ("**ZAMR**") USD $3.4 million cash, amended from the original agreement to sell 98% of the equity interests of ZAMR (collectively, the "**Transactions**"). JAMR sales proceeds represent a 10.6x 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 completion of the sale of its majority equity interests in JAMR and ZAMR marks another key milestone in Neo's operational transformation, as the Company continues to streamline its business globally and optimize its asset portfolio to support its long-term scale and growth ambitions.

"The sale of our majority interest in JAMR and ZAMR contributes to the streamlining of our business, while ensuring that our clients continue to benefit from this strategic partnership. Shenghe is a rare earth industry leader and has a record of commercial excellence by driving value from midstream assets. Shenghe's established global sourcing platform allows for continued growth of JAMR and ZAMR while we shift Neo's focus to downstream high-margin products," said Rahim Suleman, President

and Chief Executive Officer of Neo.

“We look forward to building on Neo’s growth of JAMR and ZAMR. Both will be integrated into our existing midstream assets in China and will play a vital role in our global platform. We look forward to continuing to work with Neo on their downstream needs and growth of both companies,” said Huang Ping, the acting Deputy Chairman of Shenghe.

Neo retains a 9% equity interest in JAMR and a 10% equity interest in ZAMR and has executed an agreement securing the exclusive right to distribute JAMR’s heavy rare earth products outside of China for an initial term of five years. This is expected to provide Neo’s customers outside of China with continuity of supply for premium products like dysprosium for multi-layer ceramic capacitors and medical-grade gadolinium.

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 into its operations.

JAMR has been a continuously operating asset of the Company’s portfolio for three decades, earning its reputation as a leading producer of specialty heavy rare earth products for global markets. JAMR’s leadership team has made valuable contributions to the development and success of the Company and the rare earth industry at large.

Sale Aligns with Strategic Transformation Initiatives

The sale of Neo’s majority equity interest in JAMR and ZAMR aligns with the Company’s continuous operational excellence strategy to:

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

Neo remains committed to 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 Estonia (European Union).

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, rare earth magnets, magnetic assemblies, specialty chemicals, metals, and alloys – are critical to the performance of many everyday products and emerging technologies. Neo's products fast-forward technologies for the net-zero transition. 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 manufacturing facilities located in China, Germany, Canada, Estonia, Thailand and the United Kingdom, as well as a dedicated research and development centre in Singapore. For more information, please visit www.neomaterials.com.

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, operational expectations resulting from 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 Transaction. 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 Transaction including the 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.

SOURCE Neo Performance Materials, Inc.

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