Neo Performance Materials Agrees to Acquire Leading European Magnet Manufacturer

written by Raj Shah | April 18, 2023

Acquisition of SG Technologies Group Limited Moves Neo Further up the Value Chain and Expands its Specialty Manufacturing Footprint in Europe to Better Support Rapidly Growing Magnet Demand from the Electric Vehicles, Electronics, and Clean Energy Industries

April 18, 2023 (Source) – Neo Performance Materials Inc. ("**Neo**", the "**Company**") (TSX: NEO) is pleased to announce that it has agreed to acquire the controlling interest in SG Technologies Group Limited ("**SGTec**"), one of Europe's leading advanced, specialty manufacturers of rare-earth-based and other high-performance magnets for industrial and commercial markets. The purchase is expected to further expand Neo's rare earth processing and magnet manufacturing footprint in Europe in strategic alignment with the Company's plans to launch production in 2025 of sintered rare earth magnet manufacturing in Estonia for the electric vehicle, electronics, energy-saving specialized motor applications markets, and other high-growth-potential nascent technology applications that are critical to the current global energy transition. The acquisition is expected to be completed by April 21, 2023.

With over 200 employees working just outside of London, SGTec was first established in the UK in the 1940s as an aluminum-nickel-cobalt permanent magnet manufacturer. Today, SGTec produces a variety of high-performance magnets and magnetic assemblies for some of the world's leading brands in electric and hybrid vehicles, multi-fuel and medium-duty engines,

hydrogen fuel cell vehicles, off-highway fuel systems, automotive systems, and consumer electronics. It is recognized as a leader in the production of fully dense bonded neodymium-iron-boron ("NdFeB") magnets, soft magnetic composites (used in high-speed solenoids and electric motor applications), and other high-performance magnets. For example, non-rare earth magnets made by SGTec for automotive fuel injectors are helping vehicle manufacturers prepare to meet new and more stringent vehicle air emissions standards under the proposed Euro 7 standards.

Neo will acquire a 90% interest of SGTec with an initial payment of 10.8M GBP ($13.4M USD) plus future earn-out considerations of between 0 and 5.4M GBP ($6.7M USD) based on Adjusted EBITDA performance over the SGTec's fiscal years 2024 through 2026. The remaining 10% of SGTec will continue to be owned by members of SGTec's senior management team.

More information on SGTec can be seen here: https://www.sgtec.com

"I am very pleased to welcome the many outstanding engineers, scientists, and professionals at SGTec into Neo's global team, whose decades of experience, know-how, and leading-edge R&D will unlock unique synergies working as a unit with our world-class magnetics division," said Constantine Karayannopoulos, CEO and Director of Neo. "This combination is highly complementary to Neo as we continue to move up the value stream. It expands our magnet manufacturing and product development footprint in Europe and will bring us in closer proximity to key customers in Europe, which is expected to facilitate more efficient production supply chains. Finally, this combination will help us increase our exposure to new markets and high-growth applications."

"Neo Magnequench has served as a proud supplier of magnetic

powders to SGTec for more than two decades, and we recognize the significant value and growth potential that SGTec brings to Neo Magnequench," added Greg Kroll, Neo Executive Vice President and head of the Company's Magnequench business unit. "SGTec is known in the industry for its decades-long uninterrupted track record of R&D commercialization and reputation for its exceptional product quality, its technical skill and ability to meet extraordinarily challenging tolerances and performance specifications, and its creativity and product innovation. The SGTec team will very nicely augment the skill sets of our teams at Magnequench and help us to accelerate our effort to serve rapidly growing markets across Europe and elsewhere."

Neo continues to advance its previously announced plans to construct and operate a sintered NdFeB magnet manufacturing facility outside of Narva, Estonia, conveniently situated near Neo's existing rare earth separations and rare metal production facility in Sillamäe, Estonia. Neo expects to launch Phase 1 production of 2,000 tonnes / year of NdFeB magnet block in Estonia starting in 2025. As commercial discussions with magnet customers indicate significantly higher demand than Neo's Phase 1 production plans, Neo intends to expand production to Phase 2 levels of 5,000+ tonnes/ year thereafter. The Company plans to break ground on the new plant this year.

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 9 manufacturing facilities located in China, the United States, Germany, Canada, Estonia, and Thailand, as well as one dedicated research and development centre in Singapore. For more information, please visit www.neomaterials.com.

Cautionary Statements Regarding Forward-Looking Statements

This news release contains “forward-looking information” within the meaning of applicable securities laws in Canada. Forward-looking information may relate to future events or future performance of Neo. All statements in this release, other than statements of historical facts, with respect to Neo’s objectives and goals, as well as statements with respect to its beliefs, plans, objectives, expectations, anticipations, estimates, and intentions, are forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Neo believes the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this discussion and analysis should not be unduly relied upon. For more information on Neo, investors should review Neo’s continuous disclosure filings that are available under Neo’s

profile at www.sedar.com.

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