Neo Performance Materials Reports Fourth Quarter 2020 and Year-End Results

written by Raj Shah | March 22, 2021

March 22, 2021 (Source) – **Q4 2020 Highlights**

(unless otherwise noted, all financial amounts in this news release are expressed in U.S. dollars)

- Q4 2020 revenue of $110.4 million higher by 16.8% YoY and by 41.8% over Q3 2020.
- Volumes in the quarter of 3,683 tonnes improved by 9.3% YoY and by 21.4% sequentially.
- Operating income of $3.2 million in the quarter lower YoY but sharply higher by 180.6% sequentially.
- Adjusted Net income[(1)] of $9.6 million ($0.25 per share) improved by 56.7% YoY and reversed a loss in Q3 2020. Full-year Adjusted Net income $6.2 million ($0.16 per share).
- Adjusted EBITDA[(1)] of $12.3 million off by 1.4% YoY but higher by 114.8% sequentially.
- Cash balance of $72.2 million after distributing $11.3 million in dividends to shareholders
- A quarterly dividend of Cdn$0.10 per common share was declared on March 10, 2021 for shareholders of record at March 22, 2021, with a payment date of March 30, 2021.

Neo Performance Materials Inc. ("**Neo**", the "**Company**") (TSX: NEO) released its 2020 year-end financial results. The financial statements and management's discussion and analysis ("**MD&A**") of these results can be viewed on Neo's web site at **www.neomaterials.com** and on SEDAR at **www.sedar.com**.

HIGHLIGHTS OF Q4 2020 AND YEAR-END CONSOLIDATED PERFORMANCE

Neo booked significantly stronger sequential results in the fourth quarter of 2020, driven largely by a sharp rebound in automotive and industrial end markets in the latter portion of 2020. On a consolidated basis and for the quarter ended December 31, 2020, volumes of 3,683 tonnes increased by 21.4%, revenues of $110.4 million increased by 41.8%, operating income of $3.2 million was higher by 180.6%, and Adjusted EBITDA of $12.3 million improved by 114.8%, all as compared to the quarter ended September 30, 2020. Q4 2020 volumes, revenue, and Adjusted Net income all were also higher over the prior-year period.

For the year ended December 31, 2020, consolidated revenue was $346.7 million compared to $407.5 million in 2019; a decrease of $60.8 million or 14.9%. Neo reported a net loss of $60.1 million, or $(1.54) per share. Adjusted Net Income[(1)] totaled $6.2 million, or $0.16 per share.

As of December 31, 2020, Neo had cash and cash equivalents of $72.2 million plus restricted cash of $4.2 million, compared to $84.7 million plus $4.2 million as at December 31, 2019. Neo paid $11.3 million in dividends to its shareholders and $3.7 million to its non-controlling interest partners and purchased $3.1 million of its shares under the Normal Course Issuer Bid program in the year ended December 31, 2020. In addition, Neo has approximately $6.8 million available under its credit facilities with $2.4 million drawn as at December 31, 2020.

“Automotive and industrial markets saw a strong resurgence in the fourth quarter, driving growth across many of Neo’s business lines, increasing volumes to more normalized levels, and helping Neo finish out 2020 on a very solid footing,” said Constantine

Karayannopoulos, Neo's Chief Executive Officer. "Moreover, we are seeing these trends continue to strengthen into 2021, especially as automotive and industrial end markets accelerate toward increasing electrification of vehicles, reduced energy intensity in factories and homes, and meaningful reductions of greenhouse gas emissions, all of which will require greater supplies of rare earth materials. Neo is very well positioned to benefit both from organic growth as the global economy continues to rebound and from additional strategic alliances and opportunistic investments that we are examining in the near- and mid-term horizons."

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(1)	*Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this new release and in the MD&A, available on Neo's website at www.neomaterials.com and on SEDAR at www.sedar.com.*

SELECTED FINANCIAL RESULTS

TABLE 1: Selected Consolidated Results

	Year-over-Year Comparison		***Quarter-over-Quarter Comparison***	
	2020	**2019**	**Q4 2020**	**Q4 2019**
Volume (tonnes)	12,566	13,599	3,683	3,371
($000s)				
Revenue	346,692	407,464	110,397	94,553
Operating (loss) income	(55,659)	37,502	3,190	7,014

EBITDA[(1)]	(40,388)	53,467	4,602	10,745
Adjusted EBITDA[(1)]	28,874	53,756	12,308	12,480
Adjusted EBITDA %[(1)]	8.3%	13.2%	11.1%	13.2%

(1)	*Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this news release and in the MD&A.*

For the year ended December 31, 2020, revenues of $346.7 million were 14.9% lower than in 2019. All three segments experienced significant decreases in revenues as volumes were adversely affected by slower economic activities, including impacts due to the COVID-19 pandemic. For Q4 2020, revenues of $110.4 million were increased by 16.8% compared to the prior year, largely due to a rebound in automotive and industrial end markets in the latter portion of 2020.

Neo reported an operating loss of $55.7 million and a net loss of $60.1 million for the year ended December 31, 2020. Operating loss and net loss were mainly a result of the $59.1 million impairment of assets in the C&O and Rare Metals segments. For Q4 2020, net operating income was $3.2 million, as compared to $7.0 million in the same period of 2019.

Operationally, for the year ended December 31, 2020, the most significant impact to financial performance is from lower volumes across all three business units, which can largely be attributed to COVID-19 and the impact to customer demand across the supply chain. All three business units engaged in various cost-cutting initiatives including shortening shifts, temporarily idling certain facilities, reducing project costs

and executing on other working capital reduction initiatives. Volumes and economic activity began to recover in the latter half of the third quarter and continued into the fourth quarter for both the Magnequench and C&O segments, while the aerospace market for the Rare Metals segment did not exhibit any rebound or recovery. In the three months ended December 31, 2020, the Magnequench and C&O segments saw broad volume recoveries and across key areas such as traction motors and environmental catalysts for automotive.

Adjusted EBITDA for the year ended December 31, 2020 was $28.9 million, a decrease of $24.9 million compared to 2019.

On March 1, 2021, Neo announced that it entered into a non-binding agreement in principle with Energy Fuels Inc., to create an initiative to produce value-added rare earth products from natural monazite sands, a by-product of heavy mineral sands mined in the southeastern U.S. Energy Fuels will process the monazite sands into a mixed rare earth carbonate in Utah for use as feed material for rare earth separation production in Neo's European-based processing facility in Sillamäe, Estonia.

MAGNEQUENCH SEGMENT RESULTS

TABLE 2: Selected Magnequench Results				
	Year-over-Year Comparison		***Quarter-over-Quarter Comparison***	
	2020	**2019**	**Q4 2020**	**Q4 2019**
Volume (tonnes)	5,016	5,584	1,626	1,387
($000s)				
Revenue	152,966	173,800	52,553	42,748
Operating income	20,027	28,987	8,102	7,207

EBITDA[(1)]	29,726	38,019	10,402	9,284
Adjusted EBITDA[(1)]	29,928	37,053	11,404	9,545

(1)	*Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this news release and in the MD&A.*

Operating income for the year ended December 31, 2020 was $20.0 million, a decrease of $9.0 million compared to the year ended December 31, 2019. Full-year 2020 Adjusted EBITDA in the Magnequench segment was $29.9 million, compared to $37.1 million in 2019; a decrease of $7.1 million. Sales volumes, and their impact on margins and overhead absorption, were the largest contributors to the decrease in Adjusted EBITDA with other impacts being from mix, price reductions, timing of certain operational activities, changes in foreign exchange rates, and timing of pricing pass-through mechanics on material inputs.

For the year ended December 31, 2020, volumes in the Magnequench segment were adversely affected by customer shutdowns and slowdowns, primarily as a result of the continued impact of COVID-19. The slowdown of volumes was seen across most applications that utilize Magnequench's neodymium-iron-boron ("**NdFeB**") magnetic powders. However, Magnequench saw increases in the production and sales of NdFeB compression molded ("**NdFeB CM**") magnets, particularly with respect to sales from the NdFeB CM magnet business purchased in 2019. The current magnet product line services primarily laptop computers and consumer electronics and has been on a growth trajectory gaining market share since the purchase by Magnequench. Volumes, revenues, and

earnings are all higher in the three months ended December 31, 2020, compared to the prior year and compared to the prior sequential quarters. Certain programs and end markets, including traction motors for hybrid and electric vehicles, that utilize Magnequench NdFeB powders and NdFeB CM magnets began to recover in the latter half of the third quarter and continued to recover and grow in the fourth quarter of 2020, partially due to some economic recovery and partially due to supply chains being refilled.

CHEMICALS & OXIDES ("C&O") SEGMENT RESULTS

TABLE 3: Selected C&O Results

	Year-over-Year Comparison		*Quarter-over-Quarter Comparison*	
	2020	**2019**	**Q4 2020**	**Q4 2019**
Volume (tonnes)	7,348	7,841	2,018	1,940
($000s)				
Revenue	143,322	158,226	48,433	33,650
Operating (loss) income	(26,505)	18,354	5,124	2,898
EBITDA[(1)]	(23,134)	20,010	5,065	1,725
Adjusted EBITDA[(1)]	13,950	22,872	7,103	4,417

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(1) *Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this news release and in the MD&A.*

For the year ended December 31, 2020, an operating loss of $26.5 million was reported, compared to an operating income of $18.4 million in 2019. The operating loss in 2020 was mainly due to the $35.1 million impairment charge recorded in the second quarter of 2020. For the year ended December 31, 2020, Adjusted EBITDA was $14.0 million, compared to $22.9 million in 2019; a decrease of $8.9 million or 39.0%.

For the year ended December 31, 2020, volumes in the C&O segment were affected by the general economic slowdown, primarily as a result of COVID-19. Customers of environmental catalysts had various periods of shutdowns and slowdowns and markets for rare earth products were slowed in terms of both volume and price. Overall, C&O auto-catalyst volumes in 2020 performed slightly ahead of the prior year despite the slowdown in automotive due to market share gains and new product launches. In Q4 2020, as certain portions of the economy began to recover, the C&O segment saw growth in the auto-catalyst segment compared to the prior year, and particularly compared to the prior sequential quarters, supported by market share gains and new product launches. A portion of these strong volumes is related to the economic recovery and a portion is related to refilling the supply chain.

In rare earth separation, C&O benefited from an increase in the market price of certain products in the latter portion of the third quarter and continuing into the fourth quarter of 2020, fueled by increased demand, primarily in magnetic applications, as the economy rebounds from the impact of COVID-19.

Volumes and revenues in C&O’s water treatment products exceeded prior years but growth was slowed during the year due to new customer trials and launches being delayed due to COVID-19.

RARE METALS SEGMENT RESULTS

TABLE 4: Selected Rare Metals Results				
	Year-over-Year Comparison		*Quarter-over-Quarter Comparison*	
	2020	**2019**	**Q4 2020**	**Q4 2019**
Volume (tonnes)	412	534	89	128
($000s)				
Revenue	59,688	90,622	12,096	21,564
Operating loss	(30,006)	(384)	(4,209)	(15)
EBITDA[(1)]	(28,685)	4,862	(5,323)	2,602
Adjusted EBITDA[(1)]	(2,189)	5,132	(3,297)	1,181

(1)	*Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this news release and in the MD&A.*

For the year ended December 31, 2020, the Rare Metals segment reported an operating loss of $30.0 million compared to a loss of $0.4 million in 2019. The operating loss in 2020 was mainly due to the $24.0 million impairment charge recorded in the second quarter of 2020. For the year ended December 31, 2020, Adjusted EBITDA in the Rare Metals segment was $(2.2) million, compared to $5.1 million in 2019; a decrease of $7.3 million.

Operationally, the Rare Metals segment was impacted by lower volumes and selling prices in the year ended and three months ended December 31, 2020 compared to the prior-year comparable periods. These lower volumes and selling prices were largely a

result of the impact of COVID-19 impacting customer demand and the related supply chains, including receiving supply of raw materials.

FIRST QUARTER 2021 OUTLOOK

Neo advises that the positive trends in volumes and higher selling prices that occurred in Q4 2020 have continued into Q1 2021 for the C&O and the Magnequench business units, resulting in a significant positive variance between what Neo anticipates it will report for Q1 2021 and current analyst consensus estimates. Neo expects that its Q1 2021 financial results will exceed current analyst consensus estimates of $84.9 million in revenue and $9.9 million in EBITDA for the period, as well as being significantly higher than the Q4 2020 financial results. Neo plans to announce Q1 2021 results in May 2021.

CONFERENCE CALL ON MONDAY MARCH 22, 2021 AT 10 AM EASTERN

Management will host a teleconference call on Monday, March 22, 2021 at 10:00 a.m. (Eastern Time) to discuss the fourth quarter 2020 results. Interested parties may access the teleconference by calling (647) 427-7450 (local) or (888) 231-8191 (toll-free long distance) or by visiting http://cnw.en.mediaroom.com/events. A recording of the teleconference may be accessed by calling (416) 849-0833 (local) or (855) 859-2056 (toll-free long distance), and entering pass code 4528893# until April 22, 2021 or by visiting http://cnw.en.mediaroom.com/events.

NON-IFRS MEASURES

This news release refers to certain non-IFRS financial measures such as “Adjusted Net Income”, “EBITDA”, “Adjusted EBITDA”, and “Adjusted EBITDA Margin”. These measures are not recognized measures under IFRS, do not have a standardized meaning

prescribed by IFRS, and may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS financial measures by providing further understanding of Neo's results of operations from management's perspective. Neo's definitions of non-IFRS measures used in this news release may not be the same as the definitions for such measures used by other companies in their reporting. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation nor as a substitute for analysis of Neo's financial information reported under IFRS. Neo uses non-IFRS financial measures to provide investors with supplemental measures of its base-line operating performance and to eliminate items that have less bearing on operating performance or operating conditions and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. Neo believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. Neo's management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period. For definitions of how Neo defines such financial measures, please see the "Non-IFRS Financial Measures" section of Neo's management's discussion and analysis filing for the year ended December 31, 2020, available on Neo's web site at www.neomaterials.com and on SEDAR at www.sedar.com.

TABLE 5: CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

($000s)	**December 31, 2020**		**December 31, 2019**	
ASSETS				
Current				
Cash and cash equivalents	$	72,224	$	84,735

Restricted cash	4,219	4,185
Accounts receivable	51,851	44,297
Inventories	130,867	112,891
Income taxes receivable	2,186	1,460
Assets held for sale	415	—
Other current assets	13,889	14,230
Total current assets	**275,651**	**261,798**
Property, plant and equipment	74,322	94,490
Intangible assets	53,653	65,475
Goodwill	68,967	98,841
Investments	10,045	8,985
Deferred tax assets	3,040	805
Other non-current assets	864	837
Total non-current assets	**210,891**	**269,433**
Total assets	**$ 486,542**	**$ 531,231**
LIABILITIES AND EQUITY		
Current		
Bank advances and other short-term debt	$ 2,428	$ 54
Accounts payable and other accrued charges	79,106	56,138
Income taxes payable	2,945	4,756
Provisions	2,628	—
Lease obligations	1,297	1,660
Derivative liability	9,428	11,833
Other current liabilities	940	85
Total current liabilities	**98,772**	**74,526**

Employee benefits	2,358			2,031	
Provisions	4,201			5,670	
Deferred tax liabilities	13,970			15,894	
Lease obligations	2,243			2,953	
Other non-current liabilities	1,513			1,524	
Total non-current liabilities	**24,285**			**28,072**	
Total liabilities	**123,057**			**102,598**	
Non-controlling interest	1,490			3,997	
Equity attributable to equity holders of Neo Performance Materials Inc	361,995			424,636	
Total equity	**363,485**			**428,633**	
Total liabilities and equity	**$**	**486,542**		**$**	**531,231**

See accompanying notes to this table in Neo's Consolidated Financial Statements for the Year Ended December 31, 2020, available on Neo's website at www.neomaterials.com and on SEDAR at www.sedar.com.

TABLE 6: CONSOLIDATED RESULTS OF OPERATIONS

Comparison of the year ended and three months ended December 31, 2020 to the year ended and three months ended December 31, 2019:

($000s)	**Year Ended December 31,**		**Three Months Ended December 31,**	
	2020	**2019**	**2020**	**2019**
Revenue	$ 346,692	$ 407,464	$ 110,397	$ 94,553
Costs of sales				
Costs excluding depreciation and amortization	256,928	293,912	82,104	66,072
Depreciation and amortization	9,430	9,965	1,999	2,656
Gross profit	**80,334**	**103,587**	**26,294**	**25,825**
Expenses				
Selling, general and administrative	53,702	41,935	16,113	12,007

Share-based compensation	1,733	778	817	401
Depreciation and amortization	7,750	8,032	1,899	2,062
Research and development	13,724	14,326	4,275	4,341
Impairment of assets	59,084	1,014	–	–
	135,993	66,085	23,104	18,811
Operating (loss) income	**(55,659)**	**37,502**	**3,190**	**7,014**
Other expense	(2,318)	(1,492)	(2,253)	(1,027)
Finance (cost) income, net	(878)	(2,310)	2,484	(266)
Foreign exchange (loss) gain	(651)	(920)	(211)	50
(Loss) Income from operations before income taxes and equity income of associates	**(59,506)**	**32,780**	**3,210**	**5,771**
Income tax expense	(1,643)	(10,085)	(832)	(1,278)
(Loss) Income from operations before equity income of associates	**(61,149)**	**22,695**	**2,378**	**4,493**
Equity income (loss) of associates (net of income tax)	1,060	380	(22)	(10)
Net (loss) income	**$ (60,089)**	**$ 23,075**	**$ 2,356**	**$ 4,483**
Attributable to:				
Equity holders of Neo	$ (57,931)	$ 22,920	$ 2,219	$ 4,639
Non-controlling interest	(2,158)	155	137	(156)
	$ (60,089)	**$ 23,075**	**$ 2,356**	**$ 4,483**
(Loss) Earnings per share data attributable to equity holders of Neo:				
Basic	$ (1.54)	$ 0.59	$ 0.06	$ 0.12
Diluted	$ (1.54)	$ 0.59	$ 0.06	$ 0.12

See Management's Discussion and Analysis for the Year Ended December 31, 2020, available on Neo's website at www.neomaterials.com and on SEDAR at www.sedar.com.

TABLE 7: RECONCILIATION OF NET INCOME (LOSS) TO EBITDA, ADJUSTED EBITDA AND FREE CASH FLOW

($000s)	Year Ended December 31,		Three Months Ended December 31,	
	2020	**2019**	**2020**	**2019**
Net (loss) income	**$ (60,089)**	**$ 23,075**	**$ 2,356**	**$ 4,483**
Add back (deduct):				
Finance cost (income), net	878	2,310	(2,484)	266
Income tax expense	1,643	10,085	832	1,278
Depreciation and amortization included in costs of sales	9,430	9,965	1,999	2,656

Depreciation and amortization included in operating expenses	7,750		8,032		1,899		2,062	
EBITDA	**(40,388)**		**53,467**		**4,602**		**10,745**	
Adjustments to EBITDA:								
Other expense [1]	2,318		1,492		2,253		1,027	
Foreign exchange loss (gain) [2]	651		920		211		(50)	
Equity (income) loss of associates	(1,060)		(380)		22		10	
Share and value-based compensation [3]	4,244		(830)		3,584		443	
Impairment of assets [4]	59,084		1,014		–		–	
Other costs (recoveries) [5]	4,025		(1,927)		1,636		305	
Adjusted EBITDA	**$ 28,874**		**$ 53,756**		**$ 12,308**		**$ 12,480**	
Adjusted EBITDA Margins	*8.3*	%	*13.2*	%	*11.1*	%	*13.2*	%
Less:								
Capital expenditures [6]	7,614		20,983		1,178		3,742	
Free Cash Flow	**21,260**		**32,773**		**11,130**		**8,738**	
Free Cash Flow Conversion [7]	73.6	%	61.0	%	90.4	%	70.0	%

Notes:

(1)	Represents other expenses resulting from non-operational related activities. These costs and recoveries are not indicative of Neo’s ongoing activities.
(2)	Represents unrealized and realized foreign exchange losses (gains) that include non-cash adjustments in translating foreign denominated monetary assets and liabilities.

(3)	Represents share and value-based compensation expense in respect of the Legacy Plan, the LTIP and the long-term value bonus plan, which has similar vesting criteria to the share-based plan and is settled in cash for non-executives and non-North Americans where implementation of a share settlement plan would have been prohibitively expensive in terms of administration and compliance. Value-based compensation is included in selling, general, and administration expenses. For the year ended and three months ended December 31, 2020, value-based compensation expense was $2,511 and $2,767, respectively. For the year ended and three months ended December 31, 2019, value-based compensation (recovery)/expense was $(1,606) and $43, respectively. Neo has removed both the share and value-based compensation expense from EBITDA to provide comparability with historic periods and to treat it consistently with the share-based awards that they are intended to replace.
(4)	The negative economic impacts of COVID-19 were determined to be an impairment indicator during the second quarter of 2020 for all of Neo's groups of CGUs. In accordance with IAS 36 Impairment of Assets, the recoverable amount of Neo's groups of CGUs was determined based on fair value less cost of disposal for the Magnequench segment and value in use for the C&O and Rare Metals segments. As a result of the impairment test, Neo recognized an impairment charge of $59.1 million for the year ended December 31, 2020, with $35.1 million attributable to the C&O segment and $24.0 million attributable to the Rare Metals segment. No impairment was recorded against the Magnequench segment. In 2019, the $1.0 million impairment in the Rare Metals segment represents impairment of property, plant and equipment and other assets related to the closure of NRM Utah that will not be utilized as a result of the closure.

(5)	These represent primarily legal, professional advisory fees and other transaction costs incurred/(recovered) with respect to non-operating capital structure related transactions and restructuring costs related to management team changes. Neo has removed these charges to provide comparability with historic periods.
(6)	Capital expenditures in 2019 include $9.3 million related to the assets acquired through a business combination.
(7)	Calculated as Free Cash Flow divided by Adjusted EBITDA.

TABLE 8: RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED NET INCOME (LOSS)

($000s)	**Year Ended December 31,**		**Three Months Ended December 31,**	
	2020	**2019**	**2020**	**2019**
Net (loss) income	**$ (60,089)**	**$ 23,075**	**$ 2,356**	**$ 4,483**
Adjustments to net (loss) income:				
Foreign exchange loss (gain) [1]	651	920	211	(50)
Impairment of assets [2]	59,084	1,014	—	—
Share and value-based compensation [3]	4,244	(830)	3,584	443
Other costs (recoveries) [4]	4,025	(1,927)	1,636	305
Other items included in other expense [5]	2,136	1,661	2,136	905
Tax impact of the above items	(3,886)	186	(340)	31
Adjusted net income	**$ 6,165**	**$ 24,099**	**$ 9,583**	**$ 6,117**
Attributable to:				
Equity holders of Neo	$ 6,056	$ 23,944	$ 9,446	$ 6,273
Non-controlling interest	$ 109	$ 155	$ 137	$ (156)
Weighted average number of common shares outstanding:				
Basic	37,629,963	38,821,647	37,505,596	37,943,542
Diluted	38,395,976	38,963,015	38,211,305	38,021,176
Adjusted earnings per share [6] attributable to equity holders of Neo:				
Basic	$ 0.16	$ 0.62	$ 0.25	$ 0.17
Diluted	$ 0.16	$ 0.61	$ 0.25	$ 0.16

Notes:

(1)	Represents unrealized and realized foreign exchange losses (gains) that include non-cash adjustments in translating foreign denominated monetary assets and liabilities.
(2)	The negative economic impacts of COVID-19 were determined to be an impairment indicator during the second quarter of 2020 for all of Neo's groups of CGUs. In accordance with IAS 36 Impairment of Assets, the recoverable amount of Neo's groups of CGUs was determined based on fair value less cost of disposal for the Magnequench segment and value in use for the C&O and Rare Metals segments. As a result of the impairment test, Neo recognized an impairment charge of $59.1 million for the year ended December 31, 2020, with $35.1 million attributable to the C&O segment and $24.0 million attributable to the Rare Metals segment. No impairment was recorded against the Magnequench segment. In 2019, the $1.0 million impairment in the Rare Metals segment represents impairment of property, plant and equipment and other assets related to the closure of NRM Utah that will not be utilized as a result of the closure.

(3)	Represents share and value-based compensation expense in respect of the Legacy Plan, the LTIP and the long-term value bonus plan, which has similar vesting criteria to the share-based plan and is settled in cash for non-executives and non-North Americans where implementation of a share settlement plan would have been prohibitively expensive in terms of administration and compliance. Value-based compensation is included in selling, general, and administration expenses. For the year ended and three months ended December 31, 2020, value-based compensation expense was $2,511 and $2,767, respectively. For the year ended and three months ended December 31, 2019, value-based compensation (recovery)/expense was $(1,606) and $43, respectively. Neo has removed both the share and value-based compensation expense from net income to provide comparability with historic periods and to treat it consistently with the share-based awards that they are intended to replace.
(4)	These represent primarily legal, professional advisory fees and other transaction costs incurred/(recovered) with respect to non-operating capital structure related transactions and restructuring costs related to management team changes. Neo has removed these charges to provide comparability with historic periods.
(5)	Represents certain other transactions that Neo has removed from net income to provide comparability with historic periods.

(6)	Neo reports non-IFRS measures such as “Adjusted Net Income”, “Adjusted Earnings per Share”, “Adjusted EBITDA”, “Adjusted EBITDA Margin” and “EBITDA”. Please see information on this and other non-IFRS measures in the “Non-IFRS Measures” section of this new release and in the MD&A, available on Neo’s website www.neomaterials.com and on SEDAR at www.sedar.com.

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, US; Singapore; and Beijing, China. Neo operates globally with sales and production across 10 countries, being Japan, China, Thailand, Estonia, Singapore, Germany, United Kingdom, Canada, United States, and South Korea. 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. Specific forward-

looking statements in this discussion include, but are not limited to, the following: expectations regarding certain of Neo's future results and information, including, among other things, revenue, expenses, sales growth, capital expenditures, and operations; statements with respect to current and future market trends that may directly or indirectly impact sales and revenue of Neo; expected use of cash balances; continuation of prudent management of working capital; source of funds for ongoing business requirements and capital investments; expectations regarding sufficiency of the allowance for uncollectible accounts and inventory provisions; analysis regarding sensitivity of the business to changes in exchange rates; impact of recently adopted accounting pronouncements; risk factors relating to intellectual property protection and intellectual property litigation; risk factors relating to national or international economies (including the impact of COVID-19), and other risks present in the jurisdictions in which Neo, its customers, its suppliers, and/or its logistics partners operate, and; expectations concerning any remediation efforts to Neo's design of its internal controls over financial reporting and disclosure controls and procedures. 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.