

# Neo Performance Materials Reports Record Second Quarter 2022 Results

written by Raj Shah | August 12, 2022

August 12, 2022 ([Source](#)) – **Q2 2022 Highlights**

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

- Neo sets new records for revenue, net income, and Adjusted EBITDA<sup>(1)</sup> for the six months ended June 30, 2022, since re-emerging as a public company in 2017.
- Q2 2022 revenue of \$168.2 million, higher by 24.5% YoY.
- Operating income of \$21.0 million in the quarter, higher by 15.2% YoY.
- Adjusted Net Income<sup>(1)</sup> of \$15.9 million in the quarter, or \$0.39 per share.
- Adjusted EBITDA<sup>(1)</sup> of \$26.5 million in the quarter, higher by 19.3% YoY.
- Cash balance of \$66.2 million after distributing \$6.3 million for the six months ended June 30, 2022 in dividends to shareholders.
- A quarterly dividend of Cdn\$0.10 per common share was declared on August 11, 2022 for shareholders of record at September 20, 2022, with a payment date of September 29, 2022.
- Neo's Board of Directors have appointed Mr. Yadin Rozov and Ms. Zhe Zhao as directors of the Company to fill the vacancies resulting from the resignation of Mr. Brook Hinchman and Mr. Gregory Share.

Neo Performance Materials Inc. (“Neo”, the “Company”) (TSX: [NEO](#)) released its second quarter 2022 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/investors/](http://www.neomaterials.com/investors/) and on SEDAR at [www.sedar.com](http://www.sedar.com).

“The Neo team achieved another strong quarter, and I am very pleased with our ability to continue to outperform in the face of macroeconomic uncertainty, continuing supply chain challenges, and deteriorating economic sentiment or outlook in some economies,” said Constantine Karayannopoulos, CEO of Neo. “Our manufacturing operations around the world are running efficiently and our strategic growth initiatives remain on track, particularly with regard to our plans to expand into sintered Neo magnet manufacturing in Europe. Our Magnequench teams are progressing rapidly on engineering, permitting, and construction planning for a greenfield magnet plant in Estonia to serve European automotive OEM customers, who clearly want us to make these products as they ramp up electric vehicle production. Estonian government leaders also continue to express their support for assembling the financial assistance necessary for us to make a final commitment to proceed. We very much appreciate the support from prospective customers and government leaders in this effort.”

In the second quarter, Neo published its first annual **Sustainability Report**, which provides details on Neo’s environmental, social, and governance performance in 2021. The **Sustainability Report** also launched a formal reporting process that helps to explain and document Neo’s ongoing efforts to help fast-forward the world’s transition to a more sustainable and less carbon-centric future.

## **HIGHLIGHTS OF Q2 2022 CONSOLIDATED PERFORMANCE**

Neo reported strong year-over-year (“YoY”) gains in revenue, operating income, and Adjusted EBITDA<sup>(1)</sup> in the second quarter of 2022.

All three of Neo’s business segments experienced higher revenues, driven primarily by higher rare earth prices and strong demand for Neo’s magnetic rare earth products used in the electrification of automobiles and in other environmentally sustaining technologies. Selling prices for rare earth products, including Magnequench powders, rose significantly starting in the fourth quarter of 2020 and through the first quarter of 2022, before leveling off. Neo benefited from these generally higher prices from both a lead-lag perspective (lower cost inventory on hand) and more dollar value margin available with higher prices.

For the three months ended June 30, 2022, consolidated revenue was \$168.2 million compared to \$135.1 million for the same period in the prior year; an increase of \$33.1 million or 24.5%. Neo reported net income of \$14.7 million, or \$0.36 per share, compared to \$13.0 million, or \$0.34 per share, in the same period of 2021. Adjusted Net Income<sup>(1)</sup> totaled \$15.9 million, or \$0.39 per share, compared to \$14.1 million, or \$0.37 per share, in the corresponding period of the prior year. Adjusted EBITDA<sup>(1)</sup> was \$26.5 million, a 19.3% jump over Adjusted EBITDA<sup>(1)</sup> of \$22.2 million in the second quarter of 2021.

As of June 30, 2022, Neo had cash and cash equivalents of \$66.2 million plus restricted cash of \$1.3 million, compared to \$89.0 million plus \$1.3 million as at December 31, 2021. For the six months ended June 30, 2022, Neo distributed \$6.3 million in dividends to its shareholders. Neo has approximately \$40.7 million available under its credit facilities, of which \$16.5 million was drawn as at June 30, 2022, compared to \$6.5

million drawn as at December 31, 2021.

<sup>(1)</sup>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](http://www.neomaterials.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## SELECTED FINANCIAL RESULTS

**TABLE 1: Selected Consolidated Results**

	<i>Quarter-over-Quarter Comparison</i>		<i>Year-over-Year Comparison</i>	
	<b>Q2 2022</b>	<b>Q2 2021</b>	<b>YTD Q2 2022</b>	<b>YTD Q2 2021</b>
(\$000s)				
Revenue	168,221	135,141	334,503	265,996
Operating income	20,963	18,195	49,648	34,603
EBITDA <sup>(1)</sup>	27,225	21,810	60,608	36,610
Adjusted EBITDA <sup>(1)</sup>	26,456	22,177	59,573	44,613
Adjusted EBITDA % <sup>(1)</sup>	15.7 %	16.4 %	17.8 %	16.8 %

<sup>(1)</sup>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.

## MAGNEQUENCH SEGMENT RESULTS

**TABLE 2: Selected Magnequench Results**

	<b>Quarter-over-Quarter Comparison</b>		<b>Year-over-Year Comparison</b>	
	<b>Q2 2022</b>	<b>Q2 2021</b>	<b>YTD Q2 2022</b>	<b>YTD Q2 2021</b>
Volume (tonnes)	1,218	1,509	2,523	3,234
(\$000s)				
Revenue	78,412	67,888	152,426	132,793
Operating income	12,862	12,585	23,098	23,675
EBITDA <sup>(1)</sup>	15,923	15,502	29,469	29,467
Adjusted EBITDA <sup>(1)</sup>	15,325	14,937	28,102	28,369

<sup>(1)</sup>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 three and six months ended June 30, 2022, volumes in the Magnequench segment saw a decline with respect to the prior-year period as well as sequentially, driven largely by the recent spike in COVID-19 cases and resulting shutdowns in Asia, several natural disasters impacted production facilities and customers, and the on-going semi-conductor chip shortage.

Margins in the Magnequench segment were particularly strong in the quarter due to increasing rare earth magnetic prices. Magnequench has pass-through agreements on the vast majority of its contracts, and with rising rare earth magnetic prices, Magnequench has been passing through these higher replacement costs while utilizing some of its lower cost inventory on hand. Pass-through is a key strategic focus of Magnequench and ensures that Magnequench focuses on generating long term sustainable and

value-added margins.

## CHEMICALS & OXIDES (“C&O”) SEGMENT RESULTS

<b>TABLE 3: Selected C&amp;O Results</b>				
	<b>Quarter-over-Quarter Comparison</b>		<b>Year-over-Year Comparison</b>	
<b>(\$000s)</b>	<b>Q2 2022</b>	<b>Q2 2021</b>	<b>YTD Q2 2022</b>	<b>YTD Q2 2021</b>
Revenue	69,350	52,255	137,013	106,645
Operating income	8,146	7,920	26,622	20,042
EBITDA <sup>(1)</sup>	10,755	8,105	29,721	13,992
Adjusted EBITDA <sup>(1)</sup>	9,663	8,735	29,573	21,653
<hr/>				
<p><sup>(1)</sup>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&amp;A.</p>				

The C&O segment continues to see strong demand for various rare earth products, particularly its magnetic-based products. The demand and price for these magnetic elements continues to increase, given their use in the electrification of automobiles and other environmentally sustainable technologies, although pricing stabilized in the second quarter of 2022. The combination of higher prices and higher demand for magnetic rare earth products resulted in strong financial performance for the C&O segment compared to the prior periods, particularly in the first quarter of 2022, driven by premium sales to key customers when rare earth prices peaked. Higher prices support higher-dollar value margins in C&O’s rare earth separation business in

addition to the impact of having lower-cost inventory on hand, particularly in the first quarter of 2022. C&O is experiencing higher cost of sales than in previous periods as current cost of sales more closely resemble replacement costs.

In C&O's environmental catalysts business, volumes were reasonably strong in the first half of 2022, although they were lower than the comparable periods in the prior year, which benefited from customers refilling their supply chains. Volumes, particularly in the second quarter of 2022, were negatively impacted by the slowdown of automotive production related primarily to the on-going semi-conductor chip shortage. C&O's environmentally protective water treatment solutions business continues to perform well with higher volume and new customer adoption, although sales volume growth expectations were partially impacted by the challenges in global shipping and logistics availability.

## RARE METALS SEGMENT RESULTS

<b>TABLE 4: Selected Rare Metals Results</b>				
	<b><i>Quarter-over-Quarter Comparison</i></b>		<b><i>Year-over-Year Comparison</i></b>	
<i>(\$000s)</i>	<b>Q2 2022</b>	<b>Q2 2021</b>	<b>YTD Q2 2022</b>	<b>YTD Q2 2021</b>
Revenue	25,892	20,083	54,954	36,799
Operating income	4,264	1,836	7,987	2,094
EBITDA <sup>(1)</sup>	5,358	2,127	9,870	4,281
Adjusted EBITDA <sup>(1)</sup>	5,174	2,462	9,515	3,365

<sup>(1)</sup>*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.*

Rare Metals achieved a strong first half of 2022, continuing the improvement that started in the fourth quarter of 2021. Rare Metals showed strength in pricing for key products such as hafnium and tantalum while also benefiting from lower-cost inventory on hand. Hafnium prices, in particular, have increased rapidly starting in the fourth quarter of 2021 and the segment benefited by having approximately six months of lower-cost inventory on hand. The recycling purchases and activities of Rare Metals was particularly impactful to lowering its overall material costs.

The Rare Metals business continues to make progress in several key strategic initiatives, including selling more products outside of the aerospace industry, expanding its customer base, and diversifying its total end-market exposure. Sales prices in a number of end markets have recovered and gallium-based products are exhibiting improved market demand.

## **CHANGE OF DIRECTORS**

Neo’s Board of Directors have appointed Mr. Yadin Rozov and Ms. Zhe Zhao as directors of the Company to fill the vacancies resulting from the resignation of Mr. Brook Hinchman and Mr. Gregory Share.

Yadin Rozov is an investment professional with over 20 years of experience in capital markets, corporate finance, investment banking, and investment management with substantial experience in corporate strategy and governance. He is the founder and Managing Partner of Terrace Edge Ventures LLC, a financial



advisory firm. Previously, Mr. Rozov was a Partner of GoldenTree Asset Management LLC, a leading global credit asset management firm, where he also served as the Chief Executive Officer and President of Syncora Guarantee Inc. and Chief Executive Officer of Financial Guaranty UK Ltd, each of which are stand-alone specialty insurance companies owned by GoldenTree. Additionally, he was a Partner and Managing Director at Moelis & Company where he headed the Financial Institution Advisory group. While at Moelis, Mr. Rozov helped co-found College Avenue Student Loans LLC and served on its board and co-founded Chamonix Partners Capital Management LLC. Before Moelis, Mr. Rozov was a Managing Director at UBS AG, where he was the Head of the Americas for the Repositioning Group. He also serves on the Board of Directors of Oramed Pharmaceuticals Inc. Mr. Rozov earned an M.Sc. in data science from Columbia University and a bachelor's degree with highest honors in physics and materials engineering from Rutgers University.

Zhe Zhao is a Vice President in the Global Opportunities group at Oaktree Capital Management, L.P. Ms. Zhao joined Oaktree in 2021 from Marathon Asset Management, where she served as a vice president of distressed investments. There, Ms. Zhao was responsible for sourcing and analyzing long and short investment opportunities across a variety of security classes, including stressed and distressed public and private credit. Prior thereto, Ms. Zhao was an analyst at Davidson Kempner Capital Management focusing on distressed real estate assets. Ms. Zhao began her career as an investment banking analyst with Deutsche Bank Securities before moving to Brookfield Asset Management as a private equity analyst. Ms. Zhao earned a B.S. degree in economics from Duke University and is fluent in Mandarin.

Mr. Brook Hinchman, Managing Director and Co-Head of North America for Oaktree's Global Opportunities strategy at Oaktree Capital Management, L.P., joined Neo as a director in October

2017 at the time of its initial public offering. Mr. Gregory Share, Managing Director for the Opportunities Fund within Oaktree Capital Management, L.P., joined Neo as a director in July 2020. Neo would like to thank Mr. Hinchman and Mr. Share for their contributions as directors during their tenure.

### **CONFERENCE CALL ON FRIDAY AUGUST 12, 2022 AT 10 AM EASTERN**

Management will host a teleconference call on Friday August 12, 2022 at 10:00 a.m. (Eastern Time) to discuss the second quarter 2022 results. Interested parties may access the teleconference by calling (647) 484-0475 (local) or (888) 220-8451 (toll free long distance) or by visiting <http://cnw.en.mediaroom.com/events>. A recording of the teleconference may be accessed by calling (647) 436-0148 (local) or (888) 203-1112 (toll free long distance), and entering pass code 7089160# until September 12, 2022, or by visiting <http://cnw.en.mediaroom.com/events>.

### **NON-IFRS MEASURES**

This news release refers to certain non-IFRS financial measures and ratios such as "Adjusted Net Income", "EBITDA", "Adjusted EBITDA", and "Adjusted EBITDA Margin". These measures and ratios 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 and ratios 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 and ratios 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 and ratios 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 and ratios 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 and ratios, please see the "Non-IFRS Financial Measures" section of Neo's management's discussion and analysis filing for the three and six months ended June 30, 2022, available on Neo's web site at [www.neomaterials.com](http://www.neomaterials.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## TABLE 5: CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(\$000s)	June 30, 2022	December 31, 2021
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 66,158	\$ 89,037
Restricted cash	1,276	1,283
Accounts receivable	85,785	65,209
Inventories	214,182	200,954
Income taxes receivable	477	1,667
Other current assets	21,896	19,211
<b>Total current assets</b>	<b>389,774</b>	<b>377,361</b>
Property, plant and equipment	74,877	73,378
Intangible assets	46,226	49,961
Goodwill	67,750	70,082
Investments	16,746	13,759
Deferred tax assets	7,677	6,638
Other non-current assets	1,925	2,903
<b>Total non-current assets</b>	<b>215,201</b>	<b>216,721</b>
<b>Total assets</b>	<b>\$ 604,975</b>	<b>\$ 594,082</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Bank advances and other short-term debt	\$ 11,940	\$ 6,502
Accounts payable and other accrued charges	62,756	94,201

Income taxes payable	11,711	7,059
Provisions	651	5,560
Lease obligations	1,189	1,589
Derivative liability	15,961	14,704
Current portion of long-term debt	733	–
Other current liabilities	1,199	1,455
<b>Total current liabilities</b>	<b>106,140</b>	<b>131,070</b>
Long term debt	3,796	–
Employee benefits	1,167	1,210
Provisions	22,813	15,127
Deferred tax liabilities	15,392	13,366
Lease obligations	1,278	1,388
Other non-current liabilities	1,407	1,405
<b>Total non-current liabilities</b>	<b>45,853</b>	<b>32,496</b>
<b>Total liabilities</b>	<b>151,993</b>	<b>163,566</b>
Non-controlling interest	3,233	2,891
Equity attributable to equity holders of Neo Performance Materials Inc.	449,749	427,625
<b>Total equity</b>	<b>452,982</b>	<b>430,516</b>
<b>Total liabilities and equity</b>	<b>\$ 604,975</b>	<b>\$ 594,082</b>

See accompanying notes to this table in Neo's Consolidated Financial Statements for the Three and Six Months Ended June 30, 2022, available on Neo's website at [www.neomaterials.com](http://www.neomaterials.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## TABLE 6: CONSOLIDATED RESULTS OF OPERATIONS

Comparison of the three and six months ended June 30, 2022 to the three and six months ended June 30, 2021:

(\$000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Revenue</b>	\$ 168,221	\$ 135,141	\$ 334,503	\$ 265,996
<b>Costs of sales</b>				
Costs excluding depreciation and amortization	121,796	94,580	236,112	185,500
Depreciation and amortization	2,388	1,912	4,766	3,791
<b>Gross profit</b>	<b>44,037</b>	<b>38,649</b>	<b>93,625</b>	<b>76,705</b>
<b>Expenses</b>				
Selling, general and administrative	14,262	13,617	28,515	27,677
Share-based compensation	957	(29)	1,138	1,563
Depreciation and amortization	1,853	1,935	3,748	3,890
Research and development	5,707	4,931	10,281	8,972
Impairment of assets	295	–	295	–
	23,074	20,454	43,977	42,102
<b>Operating income</b>	<b>20,963</b>	<b>18,195</b>	<b>49,648</b>	<b>34,603</b>
Other (expense) income	(855)	213	(1,288)	(5,861)
Finance cost, net	(2,292)	(1,457)	(2,706)	(1,673)
Foreign exchange gain (loss)	959	(788)	548	(1,089)
<b>Income from operations before income taxes and equity income of associates</b>	<b>18,775</b>	<b>16,163</b>	<b>46,202</b>	<b>25,980</b>
Income tax expense	(6,001)	(3,479)	(11,996)	(6,612)
<b>Income from operations before equity income of associates</b>	<b>12,774</b>	<b>12,684</b>	<b>34,206</b>	<b>19,368</b>
Equity income of associates (net of income tax)	1,917	343	3,186	1,276
<b>Net income</b>	<b>\$ 14,691</b>	<b>\$ 13,027</b>	<b>\$ 37,392</b>	<b>\$ 20,644</b>
<b>Attributable to:</b>				

Equity holders of Neo	\$ 14,607	\$ 12,960	\$ 36,957	\$ 20,406
Non-controlling interest	84	67	435	238
	\$ 14,691	\$ 13,027	\$ 37,392	\$ 20,644
<b>Earnings per share attributable to equity holders of Neo:</b>				
Basic	\$ 0.36	\$ 0.34	\$ 0.91	\$ 0.54
Diluted	\$ 0.36	\$ 0.34	\$ 0.90	\$ 0.54

See Management's Discussion and Analysis for the Three and Six Months Ended June 30, 2022, available on Neo's website at [www.neomaterials.com](http://www.neomaterials.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

**TABLE 7: RECONCILIATION OF NET INCOME TO EBITDA, ADJUSTED EBITDA AND FREE CASH FLOW**

(\$000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Net income</b>	<b>\$ 14,691</b>	<b>\$ 13,027</b>	<b>\$ 37,392</b>	<b>\$ 20,644</b>
Add back (deduct):				
Finance cost, net	2,292	1,457	2,706	1,673
Income tax expense	6,001	3,479	11,996	6,612
Depreciation and amortization included in costs of sales	2,388	1,912	4,766	3,791
Depreciation and amortization included in operating expenses	1,853	1,935	3,748	3,890

<b>EBITDA</b>	<b>27,225</b>	<b>21,810</b>	<b>60,608</b>	<b>36,610</b>
<b>Adjustments to EBITDA:</b>				
Other expense (income) <sup>(1)</sup>	855	(213)	1,288	5,861
Foreign exchange (gain) loss <sup>(2)</sup>	(959)	788	(548)	1,089
Equity income of associates	(1,917)	(343)	(3,186)	(1,276)
Share-based compensation <sup>(3)</sup>	957	(29)	1,138	1,563
Impairment of assets	295	–	295	–
Other costs (recoveries) <sup>(4)</sup>	–	164	(22)	766
<b>Adjusted EBITDA <sup>(5)</sup></b>	<b>\$ 26,456</b>	<b>\$ 22,177</b>	<b>\$ 59,573</b>	<b>\$ 44,613</b>
<i>Adjusted EBITDA Margins <sup>(5)</sup></i>	<i>15.7 %</i>	<i>16.4 %</i>	<i>17.8 %</i>	<i>16.8 %</i>
Less:				
Capital expenditures	\$ 2,582	\$ 2,521	\$ 9,364	\$ 4,257
<b>Free Cash Flow <sup>(5)</sup></b>	<b>\$ 23,874</b>	<b>\$ 19,656</b>	<b>\$ 50,209</b>	<b>\$ 40,356</b>
<i>Free Cash Flow Conversion <sup>(5)</sup></i>	<i>90.2 %</i>	<i>88.6 %</i>	<i>84.3 %</i>	<i>90.5 %</i>
<b>Notes:</b>				

(1)	Represents other expenses resulting from non-operational related activities, including provisions for damages for outstanding legal claims related to historic volumes. 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-based compensation expense in respect of the Plan and the LTIP.
(4)	These represent primarily legal, professional advisory fees and other transaction costs incurred 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)	Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin", "Free Cash Flow" and "Free Cash Flow Conversion". 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 <a href="http://www.neomaterials.com">www.neomaterials.com</a> and on SEDAR at <a href="http://www.sedar.com">www.sedar.com</a> .

**TABLE 8: RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME**

(\$000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	\$ 14,691	\$ 13,027	\$ 37,392	\$ 20,644
Adjustments to net income:				

Foreign exchange (gain) loss <sup>(1)</sup>	(959)	788	(548)	1,089
Impairment of assets	295	–	295	–
Share-based compensation <sup>(2)</sup>	957	(29)	1,138	1,563
Other costs (recoveries) <sup>(3)</sup>	–	164	(22)	766
Other items included in other expense <sup>(4)</sup>	947	243	1,494	6,422
Tax impact of the above items	(44)	(101)	(397)	(1,298)
<b>Adjusted net income <sup>(5)</sup></b>	<b>\$ 15,887</b>	<b>\$ 14,092</b>	<b>\$ 39,352</b>	<b>\$ 29,186</b>
<b>Attributable to:</b>				
Equity holders of Neo	\$ 15,803	\$ 14,025	\$ 38,917	\$ 28,948
Non-controlling interest	\$ 84	\$ 67	\$ 435	\$ 238
<b>Weighted average number of common shares outstanding:</b>				
Basic	40,681,902	37,815,403	40,681,548	37,649,443
Diluted	41,001,055	38,195,144	41,089,719	38,009,185
<b>Adjusted earnings (loss) per share <sup>(5)</sup> attributable to equity holders of Neo:</b>				
Basic	\$ 0.39	\$ 0.37	\$ 0.96	\$ 0.77
Diluted	\$ 0.39	\$ 0.37	\$ 0.95	\$ 0.76
<b>Notes:</b>				
(1)	Represents unrealized and realized foreign exchange losses (gains) that include non-cash adjustments in translating foreign denominated monetary assets and liabilities.			



(2)	Represents share-based compensation expense in respect of the Plan and the LTIP.
(3)	These represent primarily legal, professional advisory fees and other transaction costs incurred 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.
(4)	Represents other expenses resulting from non-operational related activities, including provisions for damages for outstanding legal claims related to historic volumes. These costs and recoveries are not indicative of Neo's ongoing activities.
(5)	Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin", "Free Cash Flow" and "Free Cash Flow Conversion". 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 <a href="http://www.neomaterials.com">www.neomaterials.com</a> and on SEDAR at <a href="http://www.sedar.com">www.sedar.com</a> .

### **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 South Korea as well as one dedicated research and development centre in Singapore. For more information, please visit [www.neomaterials.com](http://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), geopolitical risk 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](http://www.sedar.com).

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