Neo Performance Materials Reports Strong Fourth Quarter and Year-End 2021 Results

written by Raj Shah | March 10, 2022

Q4 2021 and Full-Year Highlights

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

- Q4 2021 revenue of $153.4 million higher by 39.0% YoY; full-year 2021 revenue of $539.3 million was higher by 55.5% YoY.
- Volumes in the fourth quarter of 3,311 tonnes; full-year volumes expanded by 20.2%.
- Operating income of $12.7 million in the quarter; $59.9 million for the year.
- Adjusted Net Income(1) for the quarter of $16.1 million, or $0.39 per share, with full-year Adjusted Net Income(1) of $55.0 million, or $1.42 per share.
- Adjusted EBITDA(1) for the quarter of $19.7 million; 2021 Adjusted EBITDA(1) of $81.9 million was 183.7% higher YoY.
- Cash balance of $89.0 million after raising $38.0 million from equity offering and distributing $12.8 million in dividends to shareholders.
- A quarterly dividend of Cdn$0.10 per common share was declared on March 9, 2022 for shareholders of record at March 22, 2022, with a payment date of March 30, 2022.

March 10, 2022 (Source) – Neo Performance Materials Inc. ("**Neo**", the "**Company**") (TSX: NEO) released its 2021 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/investors/ and on SEDAR at www.sedar.com.

HIGHLIGHTS OF Q4 2021 AND YEAR-END CONSOLIDATED PERFORMANCE

Neo reported strong year-over-year ("**YoY**") gains in revenue, volumes, operating income, Adjusted EBITDA[(1)], and profitability in the year ended December 31, 2021, driven largely by increased demand for products across all three of its operating divisions, higher selling prices for rare earth materials, and continuing progress in several of the Company's strategic initiatives.

Consolidated revenue for the year ended December 31, 2021, was $539.3 million compared to $346.7 million for the year ended December 31, 2020; an increase of $192.6 million or 55.5%. Neo reported a net income of $36.0 million, or $0.92 per share, which compared to a net loss of $60.1 million, or $1.54 per share, in 2020. Adjusted Net Income[(1)] totaled $55.0 million, or $1.42 per share, which compared to $6.2 million, or $0.16 per share, in 2020. Adjusted EBITDA[(1)] was $81.9 million, a 183.7% jump over Adjusted EBITDA of $28.9 million in the prior year.

For the three months ended December 31, 2021, consolidated revenue was $153.4 million compared to $110.4 million for the same period in the prior year; an increase of $43.0 million or 39.0%. Neo reported a net income of $7.3 million, or $0.17 per share, which compared to $2.4 million, or $0.06 per share, in the same period of 2020. Adjusted Net Income[(1)] totaled $16.1 million, or $0.39 per share, which compared to $9.6 million, or $0.25 per share, in the corresponding period of the prior year. Adjusted EBITDA[(1)] was $19.7 million, a 59.7% jump over Adjusted EBITDA of $12.3 million in the fourth quarter of 2020.

As of December 31, 2021, Neo had cash and cash equivalents of $89.0 million plus restricted cash of $1.3 million, compared to $72.2 million plus $4.2 million as at December 31, 2020. In the year ended December 31, 2021, Neo received $38.0 million of proceeds from issuance of common shares from treasury and distributed $12.8 million in dividends to its shareholders, Neo also entered into two debt agreements for new borrowing capacity in order to raise total cash available to pursue growth opportunities and make investments in working capital. As at December 31, 2021, Neo had approximately $41.5 million available under its credit facilities with $6.5 million drawn, compared to $2.4 million drawn at December 31, 2020.

“The Neo team delivered an outstanding performance in 2021, despite a challenging global landscape,” said Constantine Karayannopoulos, CEO of Neo. “That landscape is even more challenging today with the recent developments in Europe. Our Estonian facility is the only commercial producer of rare earths in Europe and one of only two producers of aerospace-grade tantalum and niobium in the EU and it has not been impacted by the tragic events in Ukraine. We are working with our advisors to monitor developments closely and we are in close and frequent contact with Estonian government officials, who continue to encourage us to maintain – and expand – our operations there.”

“A key business focus now is meeting the rapidly growing demand for magnetic rare earths in Europe, which are needed by electric vehicles and high-efficiency electric motors. We are partnering with industry and government leaders across Europe with an aim toward helping us establish production in Europe of sintered neo magnets to help meet this demand using rare earth feedstock from North America and elsewhere. Magnetic rare earths and global decarbonization go hand in glove. Neo is committed to helping Europe, North America, and other regions respond to rising consumer demand for these sustainable technologies.”

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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***	
	2021	**2020**	**Q4 2021**	**Q4 2020**
Volume (tonnes)	15,103	12,566	3,311	3,683
($000s)				
Revenue	539,251	346,692	153,414	110,397
Operating income (loss)	59,887	(55,659)	12,726	3,190
EBITDA[1]	65,431	(40,388)	12,380	4,602
Adjusted EBITDA[1]	81,915	28,874	19,652	12,308
Adjusted EBITDA %[1]	15.2 %	8.3 %	12.8 %	11.1 %

[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 and three months ended December 31, 2021, revenues of $539.3 million and $153.4 million were 55.5% and 39.0% higher, respectively, than the corresponding periods of 2020. All three segments experienced an increase in revenues as volumes rose due to the economic recovery since the initial impact of COVID-19 in 2020 despite being negatively impacted by the semiconductor chip shortage in the automotive sector and by continuing global supply chain logistics challenges. Selling prices for rare earth products (including Magnequench powders) rose significantly starting from the fourth quarter of 2020 through the fourth quarter of 2021. Rare earth prices remain relatively high compared to more recent historical periods driven primarily by demand for the magnetic elements which are critical in leading technologies such as the electrification of automobiles and other environmentally sustaining technologies. Neo has benefited from these generally higher prices from both a lead-lag perspective (lower cost inventory on hand) and more dollar value margin available generally with higher prices.

MAGNEQUENCH SEGMENT RESULTS

TABLE 2: Selected Magnequench Results				
	Year-over-Year Comparison		***Quarter-over-Quarter Comparison***	
	2021	**2020**	**Q4 2021**	**Q4 2020**
Volume (tonnes)	6,090	5,016	1,482	1,626
($000s)				
Revenue	263,753	152,966	70,897	52,553

Operating income	38,413	20,027	6,608	8,102
EBITDA[1]	49,703	29,726	10,463	10,402
Adjusted EBITDA[1]	48,009	29,928	9,137	11,404

[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, 2021, volumes in the Magnequench segment saw a rebound and strong growth compared to prior periods. The year ended December 31, 2020 was significantly impacted by slowdowns and shutdowns in the economy primarily due to impacts from COVID-19. Volumes began to recover in the fourth quarter of 2020 and continued throughout 2021. Despite a tempering of volumes in 2021 due to the pandemic and a slowdown in automotive production due to the global semiconductor chip shortage and the global logistic challenges, sales volumes of Magnequench powders grew by 21% over the prior year and by over 9% compared to the year ended December 31, 2019 (pre-COVID period). In addition, Magnequench compression molded magnet volumes more than doubled over the prior year, continuing the high growth rate achieved since Magnequench began producing and selling compression molded magnets in late 2019.

Magnequench's focus on key macro growth trend continue to yield positive sales volume growth in areas such as compression magnets and electrified-automotive applications, including traction motors and pumps. Magnequench margins benefited from increased volumes and better absorption of fixed costs as well as the lead-lag impact of prices rising in rare earth components of its powder composition. Although Magnequench has strategically structured most of its sales contracts to contain pass-through pricing provisions for rare earth raw materials, in the year ended and three months ended December 31, 2021, Magnequench benefited significantly from the timing of implementation of these price increases with having some lower cost inventory on hand.

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

TABLE 3: Selected C&O Results

	Year-over-Year Comparison		*Quarter-over-Quarter Comparison*	
	2021	**2020**	**Q4 2021**	**Q4 2020**
Volume (tonnes)	8,690	7,348	1,718	2,018
($000s)				
Revenue	212,711	143,322	60,389	48,433
Operating income	37,391	(26,505)	10,207	5,124
EBITDA[1]	29,747	(23,134)	7,656	5,065
Adjusted EBITDA[1]	41,512	13,950	11,800	7,103

[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.

The C&O segment continues to see strong demand for various rare earth products, particularly its magnetic-based products, as the global economy continues to recover from the economic impacts of COVID-19. The demand (and price) for these magnetic elements continues to increase given their use in the electrification of automobiles and other environmentally sustainable technologies. 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. Higher prices supported higher dollar value margins in C&O's rare earth separations business in addition to the impact of having lower cost inventory on hand. In C&O's environmental catalysts business, volumes were reasonably consistent year over year with some slowing in the last quarter of 2021, due to reduced automotive production driven by the semiconductor chip shortage and global logistics challenges. 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

TABLE 4: Selected Rare Metals Results

	Year-over-Year Comparison		*Quarter-over-Quarter Comparison*	
	2021	**2020**	**Q4 2021**	**Q4 2020**
Volume (tonnes)	549	412	160	89
($000s)				
Revenue	83,604	59,688	27,296	12,096
Operating income (loss)	6,578	(30,006)	2,410	(4,209)
EBITDA[1]	9,415	(28,685)	3,401	(5,323)
Adjusted EBITDA[1]	9,154	(2,189)	3,074	(3,297)

[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.

Similar to Magnequench and C&O, the prior-year for the Rare Metals segment was also impacted by COVID-19. Throughout the year ended December 31, 2021, the end markets of Rare Metals products exhibited some recovery. The three months ended December 31, 2021, were particularly strong as customers caught up on some historical orders and prices for certain rare metals increased in the quarter with Neo benefiting from having some lower-cost inventory on hand. This benefit offset the losses on other contracts where prices were set prior to the recent price increases causing some lower of cost or net realizable value adjustments for some Rare Metals products.

The improvement in the Rare Metals business in the year ended December 31, 2021 was also attributed to progress made in several key strategic initiatives in the segment, including selling more products outside of the aerospace industry, expanding its customer base, and diversifying its total end-market exposure. Key progress continues to be made in expanding the capacity of key products (with minimal capital investment) and refocusing the sales pipeline and manufacturing capacity toward more profitable end products. Sales prices in a number of end markets have recovered and gallium-based products are exhibiting improved market demand.

CONFERENCE CALL ON THURSDAY MARCH 10, 2022 AT 10 AM EASTERN

Management will host a teleconference call on Thursday, March 10, 2022 at 10:00 a.m. (Eastern Time) to discuss the fourth quarter 2021 results. Interested parties may access the teleconference by calling (647) 794-4605 (local) or (866)

575-6539 (toll-free long distance) or by visiting http://cnw.en.mediaroom.com/events. A recording of the teleconference may be accessed by calling (416) 436-0148 (local) or (888) 203-1112 (toll-free long distance), and entering pass code 8108280# until April 10, 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 year ended December 31, 2021, 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, 2021**	**December 31, 2020**
ASSETS		
Current		
Cash and cash equivalents	$ 89,037	$ 72,224
Restricted cash	1,283	4,219
Accounts receivable	65,209	51,851
Inventories	200,954	130,867
Income taxes receivable	1,667	2,186
Assets held for sale	–	415
Other current assets	19,211	13,889
Total current assets	**377,361**	**275,651**
Property, plant and equipment	73,378	74,322
Intangible assets	49,961	53,653
Goodwill	70,082	68,967
Investments	13,759	10,045
Deferred tax assets	6,638	3,040
Other non-current assets	2,903	864
Total non-current assets	**216,721**	**210,891**
Total assets	**$ 594,082**	**$ 486,542**
LIABILITIES AND EQUITY		
Current		
Bank advances and other short-term debt	$ 6,502	$ 2,428
Accounts payable and other accrued charges	94,201	79,106
Income taxes payable	7,059	2,945
Provisions	5,560	2,628
Lease obligations	1,589	1,297
Derivative liability	14,704	9,428
Other current liabilities	1,455	940
Total current liabilities	**131,070**	**98,772**
Employee benefits	1,210	2,358

Provisions	15,127	4,201
Deferred tax liabilities	13,366	13,970
Lease obligations	1,388	2,243
Other non-current liabilities	1,405	1,513
Total non-current liabilities	**32,496**	**24,285**
Total liabilities	**163,566**	**123,057**
Non-controlling interest	2,891	1,490
Equity attributable to equity holders of Neo Performance Materials Inc	427,625	361,995
Total equity	**430,516**	**363,485**
Total liabilities and equity	**$ 594,082**	**$ 486,542**

See accompanying notes to this table in Neo's Consolidated Financial Statements for the Year Ended December 31, 2021, 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, 2021 to the year ended and three months ended December 31, 2020:

($000s)	**Year Ended December 31,**		**Three Months Ended December 31,**	
	2021	**2020**	**2021**	**2020**
Revenue	$ 539,251	$ 346,692	$ 153,414	$ 110,397
Costs of sales				
Costs excluding depreciation and amortization	380,548	256,928	111,718	82,104
Depreciation and amortization	8,176	9,430	2,405	1,999
Gross profit	**150,527**	**80,334**	**39,291**	**26,294**
Expenses				
Selling, general and administrative	58,445	53,702	17,421	16,113
Share-based compensation	4,526	1,733	1,765	817
Depreciation and amortization	7,689	7,750	1,891	1,899
Research and development	19,859	13,724	5,367	4,275
Impairment of assets	121	59,084	121	—
	90,640	135,993	26,565	23,104
Operating income (loss)	**59,887**	**(55,659)**	**12,726**	**3,190**
Other expense	(9,750)	(2,318)	(4,351)	(2,253)
Finance (cost) income, net	(3,943)	(878)	(1,523)	2,484
Foreign exchange loss	(4,388)	(651)	(2,544)	(211)

Income (loss) from operations before income taxes and equity income of associates	**41,806**	**(59,506)**	**4,308**	**3,210**
Income tax (expense) benefit	(9,580)	(1,643)	702	(832)
Income (loss) from operations before equity income of associates	**32,226**	**(61,149)**	**5,010**	**2,378**
Equity income (loss) of associates (net of income tax)	3,817	1,060	2,253	(22)
Net income (loss)	**$ 36,043**	**$ (60,089)**	**$ 7,263**	**$ 2,356**
Attributable to:				
Equity holders of Neo	$ 35,177	$ (57,931)	$ 6,735	$ 2,219
Non-controlling interest	866	(2,158)	528	137
	$ 36,043	**$ (60,089)**	**$ 7,263**	**$ 2,356**
Earnings (Loss) per share attributable to equity holders of Neo:				
Basic	$ 0.92	$ (1.54)	$ 0.17	$ 0.06
Diluted	$ 0.91	$ (1.54)	$ 0.17	$ 0.06

See Management's Discussion and Analysis for the Year Ended December 31, 2021, 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

($000s)	**Year Ended December 31,**		**Three Months Ended December 31,**	
	2021	**2020**	**2021**	**2020**
Net income (loss)	**$ 36,043**	**$ (60,089)**	**$ 7,263**	**$ 2,356**
Add back (deduct):				
Finance cost (income), net	3,943	878	1,523	(2,484)
Income tax expense (benefit)	9,580	1,643	(702)	832
Depreciation and amortization included in costs of sales	8,176	9,430	2,405	1,999
Depreciation and amortization included in operating expenses	7,689	7,750	1,891	1,899
EBITDA	**65,431**	**(40,388)**	**12,380**	**4,602**
Adjustments to EBITDA:				
Other expense (1)	9,750	2,318	4,351	2,253
Foreign exchange loss (2)	4,388	651	2,544	211
Equity income of associates	(3,817)	(1,060)	(2,253)	22
Share and value-based compensation (3)	4,526	4,244	1,765	3,584
Impairment of assets (4)	121	59,084	121	–
Other costs (5)	1,516	4,025	744	1,636
Adjusted EBITDA (6)	**$ 81,915**	**$ 28,874**	**$ 19,652**	**$ 12,308**
Adjusted EBITDA Margins (6)	*15.2%*	*8.3%*	*12.8%*	*11.1%*

Less:				
Capital expenditures	$ 9,464	$ 7,614	2,833	1,178
Free Cash Flow [(6)]	**$ 72,451**	**$ 21,260**	**16,819**	**11,130**
Free Cash Flow Conversion [(6)]	88.4%	73.6%	85.6%	90.4%

Notes:	
(1)	Represents other expenses resulting from non-operational related activities, including provisions for estimated damages for outstanding legal claims related to historic volumes, costs for disposal of historically generated NORM and fair value remeasurement of equity securities. 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 Plan, the Legacy Plan, the LTIP and the long-term value bonus plan. The long-term value bonus plan is included in selling and administration expense and 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. For the year ended and three months ended December 31, 2021, value-based compensation expense was nil, as the financial statement impact of the liquidity event was recorded in the year ended December 31, 2020. For the year ended and three months ended December 31, 2020, value-based compensation recovery was $2,511 and $2,767, 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 as of June 30, 2020 for all Neo's CGUs. In accordance with IAS 36 Impairment of Assets, the recoverable amount of Neo's CGUs was determined based on fair value less cost of disposal for the Magnequench segment and value in use for the C&O and the Rare Metals segments. As a result of the impairment test, Neo recognized an impairment charge of $59.1 million as of June 30, 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.

(5)	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.
(6)	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 www.neomaterials.com and on SEDAR at www.sedar.com.

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

($000s)	Year Ended December 31,		Three Months Ended December 31,	
	2021	**2020**	**2021**	**2020**
Net income (loss)	**$ 36,043**	**$ (60,089)**	**$ 7,263**	**$ 2,356**
Adjustments to net income (loss):				
Foreign exchange loss (1)	4,388	651	2,544	211
Impairment of assets (2)	121	59,084	121	–
Share and value-based compensation (3)	4,526	4,244	1,765	3,584
Other costs (4)	1,516	4,025	744	1,636
Other items included in other expense (5)	10,681	2,136	4,519	2,136
Tax impact of the above items	(2,235)	(3,886)	(894)	(340)
Adjusted net income (6)	**$ 55,040**	**$ 6,165**	**$ 16,062**	**$ 9,583**
Attributable to:				
Equity holders of Neo	$ 54,174	$ 6,056	$ 15,534	$ 9,446
Non-controlling interest	$ 866	$ 109	$ 528	$ 137
Weighted average number of common shares outstanding:				
Basic	38,140,110	37,629,963	39,332,282	37,505,596
Diluted	38,543,348	37,629,963	39,841,690	38,211,305
Adjusted earnings (loss) per share (6) attributable to equity holders of Neo:				
Basic	$ 1.42	$ 0.16	$ 0.39	$ 0.25
Diluted	$ 1.41	$ 0.16	$ 0.39	$ 0.25

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 as of June 30, 2020 for all Neo’s CGUs. In accordance with IAS 36 Impairment of Assets, the recoverable amount of Neo’s CGUs was determined based on fair value less cost of disposal for the Magnequench segment and value in use for the C&O and the Rare Metals segments. As a result of the impairment test, Neo recognized an impairment charge of $59.1 million as of June 30, 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.

(3)	Represents share and value-based compensation expense in respect of the Plan, the Legacy Plan, the LTIP and the long-term value bonus plan. The long-term value bonus plan is included in selling and administration expense and 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. For the year ended and three months ended December 31, 2021, value-based compensation expense was nil, as the financial statement impact of the liquidity event was recorded in the year ended December 31, 2020. For the year ended and three months ended December 31, 2020, value-based compensation recovery was $2,511 and $2,767, 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 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 other expenses resulting from non-operational related activities, including provisions for estimated damages for outstanding legal claims related to historic volumes, and costs for disposal of historically generated NORM. These costs and recoveries are not indicative of Neo’s ongoing activities.

(6)	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 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, Unite d 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.

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