

Neo Performance Materials Reports Strong Second Quarter 2021 Results

written by Raj Shah | August 12, 2021

August 12, 2021 ([Source](#)) – **Q2 2021 Highlights**

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

- Q2 2021 revenue of \$135.1 million higher by 99.5% YoY.
- Volumes in the quarter of 4,063 tonnes improved by 59.6% YoY.
- Operating income of \$18.2 million in the quarter.
- Adjusted Net Income⁽¹⁾ of \$14.1 million, or \$0.37 per share.
- Adjusted EBITDA⁽¹⁾ of \$22.2 million.
- Cash balance of \$59.6 million after distributing \$3.1 million in dividends to shareholders.
- A quarterly dividend of Cdn\$0.10 per common share was declared on August 11, 2021 for shareholders of record at September 20, 2021, with a payment date of September 29, 2021.

Neo Performance Materials Inc. (“**Neo**”, the “**Company**”) (TSX: [NEO](#)) released its second quarter 2021 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 Q2 2021 CONSOLIDATED PERFORMANCE

For the three months ended June 30, 2021, consolidated revenue was \$135.1 million compared to \$67.7 million in the second quarter of 2020; an increase of \$67.4 million or 99.5%. Neo

reported a net income of \$13.0 million, or \$0.34 per share. Adjusted Net Income⁽¹⁾ totaled \$14.1 million, or \$0.37 per share. Adjusted EBITDA⁽¹⁾ was \$22.2 million, an increase of \$21.0 million over the comparable prior-year period.

As of June 30, 2021, Neo had cash and cash equivalents of \$59.6 million plus restricted cash of \$4.2 million, compared to \$72.2 million plus \$4.2 million as at December 31, 2020. In the six months ended June 30, 2021, Neo paid \$6.2 million in dividends to its shareholders, remitted \$3.0 million related to withholding taxes on stock-based awards and received \$1.5 million from stock options exercised. In addition, Neo has approximately \$6.5 million available under its credit facilities with \$4.4 million drawn as at June 30, 2021, compared to \$2.4 million drawn as at December 31, 2020.

⁽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.*

“We had an outstanding second quarter that exceeded our expectations, with record revenue and robust profitability, while our plants operated at near-record output,” said Constantine Karayannopoulos, Neo’s CEO. “Dialogue with existing and new customers on product innovation remained very active as we continue to collaborate on next generation products. We are continuing to diversify our sources of rare earth feed materials to include material sourced from North America for our European-based rare earth processing facility in Sillamäe, Estonia, which will strengthen our ability to meet

growing demand from our global customers. Our R&D pipelines are full and the outstanding customer service provided by our global teams is helping us win new business. With the organic growth we are seeing across all business units, the significant macro tailwinds boosting the entire rare earths sector, and a number of strategic growth opportunities on the radar screen, we remain confident in the sustainability of our long term vision and growth strategy.”

SELECTED FINANCIAL RESULTS

TABLE 1: Selected Consolidated Results				
	Quarter-over-Quarter Comparison		Year-over-Year Comparison	
	Q2 2021	Q2 2020	YTD Q2 2021	YTD Q2 2020
Volume (tonnes)	4,063	2,545	8,269	5,848
(\$000s)				
Revenue	135,141	67,734	265,996	158,431
Operating income (loss)	18,195	(64,993)	34,603	(59,986)
EBITDA ⁽¹⁾	21,810	(59,542)	36,610	(50,481)
Adjusted EBITDA ⁽¹⁾	22,177	1,191	44,613	10,836
Adjusted EBITDA % ⁽¹⁾	16.4 %	1.8 %	16.8 %	6.8 %

⁽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 three and six months ended June 30, 2021, revenues were 99.5% and 67.9% higher, respectively, than the corresponding periods of 2020. All three segments experienced an increase in revenues due to higher pricing and volumes. Aside from this lower comparable period, all three segments demonstrated strong growth in volumes and profitability compared to recent (non-COVID-19) historical periods.

Neo reported operating income of \$18.2 million and net income of \$13.0 million for the three months ended June 30, 2021; and operating income of \$34.6 million and net income of \$20.6 million for the six months ended June 30, 2021. Operating income in the three and six months ended June 30, 2021 was higher in all three segments. Operationally, all segments reported significant increases in volume, revenue and earnings. Magnequench saw broad volume increases across the majority of its applications including key end markets such as solutions for electrified vehicles (including traction motors) and in other applications such as factory automation and home appliances. C&O saw continued strong demand particularly for its magnetic-based rare earth elements, growth in environmental catalysts exceeding market growth rates and record sales volumes in its environmentally protective water treatment solutions. The Rare Metals segment saw some recovery in the aerospace end market and made key progress to extended its sales into additional, non-aerospace markets.

Adjusted EBITDA for the three and six months ended June 30, 2021 was \$22.2 million and \$44.6 million, respectively, an increase of \$21.0 million and \$33.8 million compared to the same periods of the prior year. Similar to operating income, in the three and six months ended June 30, 2021, Adjusted EBITDA in all three segments increased over the same periods in the prior year.

MAGNEQUENCH SEGMENT RESULTS

TABLE 2: Selected Magnequench Results				
	Quarter-over-Quarter Comparison		Year-over-Year Comparison	
	Q2 2021	Q2 2020	YTD Q2 2021	YTD Q2 2020
Volume (tonnes)	1,509	1,024	3,234	2,295
(\$000s)				
Revenue	67,888	30,267	132,793	68,793
Operating income	12,585	3,421	23,675	8,960
EBITDA ⁽¹⁾	15,502	6,116	29,467	13,763
Adjusted EBITDA ⁽¹⁾	14,937	5,565	28,369	13,280
<hr/> ⁽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 three months ended June 30, 2021, revenue in the Magnequench segment was \$67.9 million, compared to \$30.3 million in the three months ended June 30, 2020; an increase of \$37.6 million or 124.3%. For the six months ended June 30, 2021, revenue in the Magnequench segment was \$132.8 million, compared to \$68.8 million in the six months ended June 30, 2020; an increase of \$64.0 million or 93.0%. Volume increased to 1,509 tonnes compared to 1,024 tonnes in the three months ended June 30, 2020. For the six months ended June 30, 2021,

volume increased to 3,234 tonnes, compared to 2,295 tonnes in the same period in 2020; an increase of 40.9%.

Operating income for the three and six months ended June 30, 2021 was \$12.6 million and \$23.7 million, respectively, an increase of \$9.2 million and \$14.7 million when compared to the three and six months ended June 30, 2020.

For the three and six months ended June 30, 2021, volumes in the Magnequench segment saw a continued rebound and strong growth compared to prior periods. For the three months ended June 30, 2021, Adjusted EBITDA in the Magnequench segment was \$14.9 million, compared to \$5.6 million in the three months ended June 30, 2020; an increase of \$9.4 million. For the six months ended June 30, 2021, Adjusted EBITDA in the Magnequench segment was \$28.4 million, compared to \$13.3 million in same period of 2020; an increase of \$15.1 million.

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

TABLE 3: Selected C&O Results				
	Quarter-over-Quarter Comparison		Year-over-Year Comparison	
	Q2 2021	Q2 2020	YTD Q2 2021	YTD Q2 2020
Volume (tonnes)	2,443	1,466	4,866	3,401
(\$000s)				
Revenue	52,255	25,320	106,645	58,858
Operating income	7,920	(37,748)	20,042	(34,774)
EBITDA ⁽¹⁾	8,105	(36,020)	13,992	(32,347)

Adjusted EBITDA ⁽¹⁾	8,735	(1,462)	21,653	2,951
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For the three months ended June 30, 2021, revenue in the C&O segment was \$52.3 million, compared to \$25.3 million in the same period in 2020; an increase of \$26.9 million or 106.4%. For the six months ended June 30, 2021, revenue in the C&O segment was \$106.6 million, compared to \$58.9 million in the same period in 2020; an increase of \$47.8 million or 81.2%.

For the three and six months ended June 30, 2021, the C&O segment reported operating income of \$7.9 million and \$20.0 million, respectively, compared to an operating loss of \$37.7 million and \$34.8 million in the same periods of the prior year. The operating loss in the three and six months ended June 30, 2020 was mainly due to a \$35.1 million impairment charge.

The C&O segment continues to see strong demand for various rare earth products, particularly magnetic-based products. For the three months ended June 30, 2021, Adjusted EBITDA was \$8.7 million, compared to \$(1.5) million in the same period in the prior year. For the six months ended June 30, 2021, Adjusted EBITDA was \$21.7 million, compared to \$3.0 million in the same period in the prior year; an increase of \$18.7 million or 633.8%.

RARE METALS SEGMENT RESULTS

TABLE 4: Selected Rare Metals Results

	Quarter-over-Quarter Comparison		Year-over-Year Comparison	
	Q2 2021	Q2 2020	YTD Q2 2021	YTD Q2 2020
Volume (tonnes)	161	90	279	232
(\$000s)				
Revenue	20,083	13,529	36,799	33,979
Operating income (loss)	1,836	(24,728)	2,094	(24,905)
EBITDA ⁽¹⁾	2,127	(23,725)	4,281	(22,826)
Adjusted EBITDA ⁽¹⁾	2,462	376	3,365	1,287

⁽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 three months ended June 30, 2021, revenue in the Rare Metals segment was \$20.1 million, compared to \$13.5 million in the same period in the prior year; an increase of \$6.6 million or 48.4%. For the six months ended June 30, 2021, revenue in the Rare Metals segment was \$36.8 million, compared to \$34.0 million in the same period in the prior year; an increase of \$2.8 million or 8.3%.

For the three and six months ended June 30, 2021, the Rare Metals segment reported an operating income of \$1.8 million and \$2.1 million, respectively, compared to an operating

loss of \$24.7 million and \$24.9 million in the same periods of 2020. The operating loss in the three and six months ended June 30, 2020 was mainly due to a \$24.0 million impairment charge.

For the three months ended June 30, 2021, Adjusted EBITDA in the Rare Metals segment was \$2.5 million, compared to \$0.4 million in the same period in 2020; an increase of \$2.1 million or 554.8%. For the six months ended June 30, 2021, Adjusted EBITDA was \$3.4 million, compared to \$1.3 million in 2020; an increase of \$2.1 million or 161.5%.

CONFERENCE CALL ON THURSDAY AUGUST 12, 2021 AT 10 AM EASTERN

Management will host a teleconference call on Thursday August 12, 2021 at 10:00 a.m. (Eastern Time) to discuss the second quarter 2021 results. Interested parties may access the teleconference by calling (647) 792-1240 (local) or (800) 430-8332 (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 5960788# until September 12, 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 three and six months ended June 30, 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

<i>(\$000s)</i>	June 30, 2021		December 31, 2020	
ASSETS				
Current				
Cash and cash equivalents	\$	59,596	\$	72,224
Restricted cash		4,167		4,219
Accounts receivable		68,981		51,851
Inventories		134,291		130,867
Income taxes receivable		1,808		2,186

Assets held for sale	—	415
Other current assets	18,804	13,889
Total current assets	287,647	275,651
Property, plant and equipment	74,035	74,322
Intangible assets	51,742	53,653
Goodwill	69,408	68,967
Investments	11,321	10,045
Deferred tax assets	3,165	3,040
Other non-current assets	1,633	864
Total non-current assets	211,304	210,891
Total assets	\$ 498,951	\$ 486,542
LIABILITIES AND EQUITY		
Current		
Bank advances and other short-term debt	\$ 4,415	\$ 2,428
Accounts payable and other accrued charges	59,950	79,106
Income taxes payable	6,367	2,945
Provisions	2,450	2,628
Lease obligations	1,475	1,297
Derivative liability	11,138	9,428
Other current liabilities	390	940
Total current liabilities	86,185	98,772
Employee benefits	2,294	2,358
Provisions	15,551	4,201
Deferred tax liabilities	13,044	13,970
Lease obligations	2,316	2,243

Other non-current liabilities	1,559	1,513
Total non-current liabilities	34,764	24,285
Total liabilities	120,949	123,057
Non-controlling interest	2,239	1,490
Equity attributable to equity holders of Neo Performance Materials Inc.	375,763	361,995
Total equity	378,002	363,485
Total liabilities and equity	\$ 498,951	\$ 486,542
<p>See accompanying notes to this table in Neo's Consolidated Financial Statements for the Three and Six Months Ended June 30, 2021, available on Neo's website at www.neomaterials.com and on SEDAR at www.sedar.com.</p>		

TABLE 6: CONSOLIDATED RESULTS OF OPERATIONS

Comparison of the three and six months ended June 30, 2021 to the three and six months ended June 30, 2020:

(\$000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	\$ 135,141	\$ 67,734	\$ 265,996	\$ 158,431
Costs of sales				
Costs excluding depreciation and amortization	94,580	51,180	185,500	117,429
Depreciation and amortization	1,912	2,715	3,791	5,435

Gross profit		38,649		13,839		76,705		35,567
Expenses								
	Selling, general and administrative	13,617		14,690		27,677		26,651
	Share-based compensation	(29)		170		1,563		(57)
	Depreciation and amortization	1,935		2,018		3,890		4,054
	Research and development	4,931		2,870		8,972		5,821
	Impairment of assets	—		59,084		—		59,084
		20,454		78,832		42,102		95,553
Operating income (loss)		18,195		(64,993)		34,603		(59,986)
	Other income (expense)	213		221		(5,861)		27
	Finance cost, net	(1,457)		(2,318)		(1,673)		(3,263)
	Foreign exchange (loss) gain	(788)		138		(1,089)		(312)
Income (loss) from operations before income taxes and equity income of associates		16,163		(66,952)		25,980		(63,534)

	Income tax (expense) benefit	(3,479)		3,229		(6,612)		387
	Income (loss) from operations before equity income of associates	12,684		(63,723)		19,368		(63,147)
	Equity income of associates (net of income tax)	343		359		1,276		301
	Net income (loss)	\$ 13,027		\$ (63,364)		\$ 20,644		\$ (62,846)
	Attributable to:							
	Equity holders of Neo	\$ 12,960		\$ (60,936)		\$ 20,406		\$ (60,573)
	Non-controlling interest	67		(2,428)		238		(2,273)
		\$ 13,027		\$ (63,364)		\$ 20,644		\$ (62,846)
	Earnings (Loss) per share attributable to equity holders of Neo:							
	Basic	\$ 0.34		\$ (1.62)		\$ 0.54		\$ (1.61)
	Diluted	\$ 0.34		\$ (1.62)		\$ 0.54		\$ (1.61)

See Management's Discussion and Analysis for the Three and Six Months Ended June 30, 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)	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Net income (loss)	\$	13,027	\$	(63,364)	\$	20,644	\$	(62,846)
Add back (deduct):								
Finance cost, net		1,457		2,318		1,673		3,263
Income tax expense (benefit)		3,479		(3,229)		6,612		(387)
Depreciation and amortization included in costs of sales		1,912		2,715		3,791		5,435
Depreciation and amortization included in operating expenses		1,935		2,018		3,890		4,054
EBITDA		21,810		(59,542)		36,610		(50,481)
Adjustments to EBITDA:								
Other (income) expense ⁽¹⁾		(213)		(221)		5,861		(27)
Foreign exchange loss (gain) ⁽²⁾		788		(138)		1,089		312
Equity income of associates		(343)		(359)		(1,276)		(301)

Share and value-based compensation ⁽³⁾	(29)	(153)	1,563	(271)
Impairment of assets ⁽⁴⁾	—	59,084	—	59,084
Other costs ⁽⁵⁾	164	2,520	766	2,520
Adjusted EBITDA	\$ 22,177	\$ 1,191	\$ 44,613	\$ 10,836
<i>Adjusted EBITDA Margins.</i>	16.4 %	1.8 %	16.8 %	6.8 %
Less:				
Capital expenditures.	2,521	1,527	4,257	3,029
Free Cash Flow	19,656	(336)	40,356	7,807
<i>Free Cash Flow Conversion ⁽⁶⁾</i>	88.6 %	(28.2) %	90.5 %	72.0 %

Notes:

(1)	Represents other expenses resulting from non-operational related activities, including provisions for estimated 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)	<p>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 three and six months ended June 30, 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 three and six months ended June 30, 2020, value-based compensation recovery was \$(320) and \$(213), 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.</p>
(4)	<p>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 for the six months ended 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.</p>

(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)	Calculated as Free Cash Flow divided by Adjusted EBITDA.

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

(\$000s)	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Net income (loss)	\$	13,027	\$	(63,364)	\$	20,644	\$	(62,846)
Adjustments to net income (loss):								
Foreign exchange loss (gain) ⁽¹⁾		788		(138)		1,089		312
Impairment of assets ⁽²⁾		—		59,084		—		59,084
Share and value-based compensation ⁽³⁾		(29)		(153)		1,563		(271)
Other costs ⁽⁴⁾		164		2,520		766		2,520
Other items included in other expense ⁽⁵⁾		243		(120)		6,422		—

Tax impact of the above items		(101)		(3,407)		(1,298)		(3,508)	
Adjusted net income (loss)	\$	14,092		\$ (5,578)		\$ 29,186		\$ (4,709)	
Attributable to:									
Equity holders of Neo	\$	14,025		\$ (5,417)		\$ 28,948		\$ (4,703)	
Non-controlling interest	\$	67		\$ (161)		\$ 238		\$ (6)	
Weighted average number of common shares outstanding:									
Basic		37,815,403		37,665,686		37,649,443		37,702,492	
Diluted		38,195,144		37,665,686		38,009,185		37,702,492	
Adjusted earnings (loss) per share ⁽⁶⁾ attributable to equity holders of Neo:									
Basic	\$	0.37		\$ (0.14)		\$ 0.77		\$ (0.12)	
Diluted	\$	0.37		\$ (0.14)		\$ 0.76		\$ (0.12)	

Notes:

(1)	Represents unrealized and realized foreign exchange losses (gains) that include non-cash adjustments in translating foreign denominated monetary assets and liabilities.
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(2)	<p>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 for the six months ended 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.</p>
(3)	<p>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 three and six months ended June 30, 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 three and six months ended June 30, 2020, value-based compensation recovery was \$(320) and \$(213), 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.</p>

(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. 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" 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, 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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