

# Neo Performance Materials Reports Year-End 2023 Results

written by Raj Shah | March 15, 2024

March 15, 2024 ([Source](#)) – **Highlights of Full Year 2023**

*(unless otherwise noted, all financial amounts in this news release are expressed in United States dollars)*

***For the year ended December 31, 2023:***

- Neo's revenue was \$571.5 million, a decrease of 10.7% YoY.
- Operating income was \$11.2 million.
- Adjusted Net Loss<sup>(1)</sup> was \$1.0 million, or \$0.02 per share.
- Adjusted EBITDA<sup>(1)</sup> was \$37.2 million, lower by 52.9% YoY.
- Cash balance of \$86.9 million, after funding acquisition and investments of \$16.4 million, spending of \$41.7 million in capital projects, distributing \$13.4 million in dividends to Neo's shareholders, and repurchasing \$19.9 million of shares under the normal course issuer bid.
- A quarterly dividend of Cdn\$0.10 per common share was declared on March 13, 2024 for shareholders of record on March 18, 2024, with a payment date of March 27, 2024.

Neo Performance Materials Inc. ("**Neo**") (TSX: [NEO](#)) released its 2023 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/](http://www.neomaterials.com/investors/) and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

"Neo continues to lay the groundwork for our long-term ambitions in the critical material and electric vehicle space," said Rahim

Suleman, President and CEO of Neo. “Our rare earth magnet plant construction in Estonia remains on track, and we have recently started the commissioning process for our relocated environmental catalyst plant. Our teams have implemented new cost-savings measures and are continuing to optimize our production infrastructure to meet our customers where they are located.”

“Our results for the year 2023 were negatively impacted by declining rare earth prices and lower volumes in China due to the slowing economic activity. In Q4, our results were particularly negatively impacted by our Rare Metals segment due to specific factors affecting 2023. The full year results for Rare Metals were at a record setting level and we expect that 2024 will also be a strong year.”

#### **HIGHLIGHTS OF YEAR-END 2023 CONSOLIDATED PERFORMANCE**

Neo’s consolidated revenue for the year ended December 31, 2023 was \$571.5 million compared to \$640.3 million for the same period in the prior year. Neo reported a net loss of \$8.4 million, or \$0.19 per share, compared to net income of \$26.4 million, or \$0.62 per share, for the same period in the prior year. Adjusted Net Loss<sup>(1)</sup> totaled \$1.0 million, or \$0.02 per share, compared to Adjusted Net Income<sup>(1)</sup> of \$31.8 million or \$0.75 per share, for the same period in the prior year. Adjusted EBITDA<sup>(1)</sup> was \$37.2 million, compared to Adjusted EBITDA<sup>(1)</sup> of \$79.0 million for the same period in the prior year.

As of December 31, 2023, Neo had cash and cash equivalents of \$86.9 million plus restricted cash of \$3.3 million, compared to \$147.5 million plus \$1.2 million as at December 31, 2022.

## SELECTED FINANCIAL RESULTS

<b>TABLE 1: Selected Consolidated Results</b>				
	<i>Year-over-Year Comparison</i>		<i>Quarter-over-Quarter Comparison</i>	
<i>(\$000s)</i>	<b>FY 2023</b>	<b>FY 2022</b>	<b>Q4 2023</b>	<b>Q4 2022</b>
Revenue	571,545	640,298	128,668	159,168
Operating income (loss)	11,167	58,614	(5,470)	6,727
EBITDA <sup>(1)</sup>	26,812	76,189	2,319	10,121
Adjusted EBITDA <sup>(1)</sup>	37,219	79,027	3,097	12,420
Adjusted EBITDA % <sup>(1)</sup>	6.5 %	12.3 %	2.4 %	7.8 %

<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

<b>TABLE 2: Selected Magnequench Results</b>				
	<i>Year-over-Year Comparison</i>		<i>Quarter-over-Quarter Comparison</i>	
<i>(\$000s)</i>	<b>FY 2023</b>	<b>FY 2022</b>	<b>Q4 2023</b>	<b>Q4 2022</b>
Volume (tonnes)	4,694	4,808	1,281	1,188
Revenue	213,735	277,412	54,827	57,584
Operating income	7,618	30,538	2,675	2,543
EBITDA <sup>(1)</sup>	18,548	42,178	9,432	6,364

Adjusted EBITDA <sup>(1)</sup>	21,149	40,172	5,950	4,788
<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>				

Magnequench revenue in the quarter and year ended December 31, 2023 declined by 4.8% and 23.0%, respectively as compared to the comparable prior year periods, primarily due to declining volumes in the legacy magnetic powder business which was negatively impacted by economic slowdown and demand softness across the industry. In spite of market headwinds, Magnequench delivered growth in its high-margin magnet business through increasing business with new customers, in-sourcing magnet production, as well as the acquisition of a 90% equity interest in UK magnet producer SG Technologies Group Limited (“SGTec”) in April 2023. The business continues to make progress on phase 1 construction of its new Rare Earth Magnet Plant in Europe which remains on budget and on schedule.

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

TABLE 3: Selected C&O Results	Year-over-Year Comparison		Quarter-over-Quarter Comparison	
	FY 2023	FY 2022	Q4 2023	Q4 2022
(\$000s)				
Revenue	235,929	248,011	55,552	58,767
Operating income	4,088	22,176	2,622	852
EBITDA <sup>(1)</sup>	6,714	27,952	2,661	1,462
Adjusted EBITDA <sup>(1)</sup>	9,306	28,324	3,218	2,614

<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.

In the quarter and year ended December 31, 2023, C&O revenue declined by 5.5% and 4.9%, respectively, as compared to comparable prior year periods, primarily due to mixed end market dynamics and rare earth pricing headwinds. High purity dysprosium used in multi-layer ceramic capacitors continued to deliver stable volumes and margins. The environmental protective water treatment solutions business delivered increased volumes and expanding margins throughout 2023. However, rapid declines in rare earth prices continued to drive headwinds for the business negatively impacting C&O rare earth separation margins. C&O is nearing completion on the relocation of its Neo Jia Hua Advanced Materials (Zibo) Co., Ltd. facility in China, which will have additional capacity for environmental emissions catalysts including capacity for new products under development.

## RARE METALS SEGMENT RESULTS

<b>TABLE 4: Selected Rare Metals Results</b>				
	<b><i>Year-over-Year Comparison</i></b>		<b><i>Quarter-over-Quarter Comparison</i></b>	
<i>(\$000s)</i>	<b>FY 2023</b>	<b>FY 2022</b>	<b>Q4 2023</b>	<b>Q4 2022</b>
Revenue	124,601	130,386	19,724	43,865
Operating income (loss)	19,670	20,978	(5,597)	7,792
EBITDA <sup>(1)</sup>	20,367	22,119	(6,298)	5,662
Adjusted EBITDA <sup>(1)</sup>	24,207	24,307	(2,200)	8,995

<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 revenue declined by 55.0% and 4.4%, respectively, in the quarter and year ended December 31, 2023, as compared to the same periods of the prior year. The segment delivered solid full-year earnings driven by strength in hafnium pricing and demand, which has been driven by demand for memory chips and superalloys. The segment has a healthy hafnium order book for 2024 with contracted volumes at strong pricing and sufficient inventory on hand. Rare Metals reached a significant milestone in its manufacturing strategy with its plant in Sillamäe, Estonia, shifting focus on downstream, value-add operations, by halting the energy-intensive hydrometallurgical processing of niobium and tantalum bearing ores. Going forward, future products will be derived from oxides and recycled materials which will increase sourcing optionality and reduce working capital, simplify the manufacturing process, and improve the environmental footprint of the plant. In executing this operational transformation, the Rare Metals business incurred one-time charges in the fourth quarter of 2023 related to impairment of assets and employee restructuring costs.

### **CONFERENCE CALL ON FRIDAY MARCH 15, 2024 AT 10 AM EASTERN**

Management will host a teleconference call on Friday, March 15, 2024 at 10:00 a.m. (Eastern Time) to discuss the fourth quarter 2023 results. Interested parties may access the teleconference by calling (416) 764-8650 (local) or (888) 664-6383 (toll free long distance) or by visiting <https://app.webinar.net/Gv4A7qgJzyE>. A recording of the teleconference may be accessed by calling (416) 764-8677 (local) or (888) 390-0541 (toll free long distance), and entering pass code 612419# until April 15, 2024.

## **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 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 twelve months ended December 31, 2023, available on Neo’s web site at [www.neomaterials.com](http://www.neomaterials.com) and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

**TABLE 5: CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(\$000s)	December 31, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 86,895	\$ 147,491
Restricted cash	3,357	1,179
Accounts receivable	67,643	81,409
Inventories	197,453	212,702
Income taxes receivable	744	355
Other current assets	22,542	23,279
<b>Total current assets</b>	<b>378,634</b>	<b>466,415</b>
Property, plant and equipment	118,918	75,767
Intangible assets	38,511	42,984
Goodwill	65,160	66,042
Investments	17,955	16,363
Deferred tax assets	6,760	6,956
Other non-current assets	1,066	1,933
<b>Total non-current assets</b>	<b>248,370</b>	<b>210,045</b>
<b>Total assets</b>	<b>\$ 627,004</b>	<b>\$ 676,460</b>
<b>LIABILITIES AND EQUITY</b>		



<b>Current</b>		
Bank advances and other short-term debt	\$ —	\$ 17,288
Accounts payable and other accrued charges	71,984	69,093
Income taxes payable	9,207	10,033
Provisions	823	1,369
Lease obligations	1,664	1,264
Derivative liability	36,294	28,570
Current portion of long-term debt	2,230	747
Other current liabilities	692	278
<b>Total current liabilities</b>	<b>122,894</b>	<b>128,642</b>
Long term debt	23,101	29,885
Employee benefits	108	489
Derivative liability	1,082	—
Provisions	26,197	23,604
Deferred tax liabilities	14,294	13,942
Lease obligations	2,425	813
Other non-current liabilities	1,592	1,442
<b>Total non-current liabilities</b>	<b>68,799</b>	<b>70,175</b>
<b>Total liabilities</b>	<b>191,693</b>	<b>198,817</b>
Non-controlling interest	3,164	3,193

Equity attributable to equity holders of Neo Performance Materials Inc	432,147	474,450
<b>Total equity</b>	<b>435,311</b>	<b>477,643</b>
<b>Total liabilities and equity</b>	<b>\$ 627,004</b>	<b>\$ 676,460</b>
<p><i>See accompanying notes to this table in Neo's Consolidated Financial Statements for the year ended December 31, 2023, available on Neo's website at <a href="http://www.neomaterials.com">www.neomaterials.com</a> and on SEDAR+ at <a href="http://www.sedarplus.ca">www.sedarplus.ca</a>.</i></p>		

**TABLE 6: CONSOLIDATED RESULTS OF OPERATIONS**

*Comparison of the year and three months ended December 31, 2023 to the year and three months ended December 31, 2022:*

(\$000s)	Year Ended December 31,		Three Months Ended December 31,	
	2023	2022	2023	2022
<b>Revenue</b>	\$ 571,545	\$ 640,298	\$ 128,668	\$ 159,168
<b>Cost of sales</b>				
Cost excluding depreciation and amortization	462,815	481,524	107,350	125,275
Depreciation and amortization	9,626	9,406	2,416	2,361
<b>Gross profit</b>	<b>99,104</b>	<b>149,368</b>	<b>18,902</b>	<b>31,532</b>
<b>Expenses</b>				

Selling, general and administrative	59,155	58,915	14,485	16,619
Share-based compensation	3,738	2,483	1,946	610
Depreciation and amortization	7,187	7,313	1,813	1,784
Research and development	16,144	20,810	4,415	4,854
Impairment of assets	1,713	1,233	1,713	938
	87,937	90,754	24,372	24,805
<b>Operating income (loss)</b>	<b>11,167</b>	<b>58,614</b>	<b>(5,470)</b>	<b>6,727</b>
Other income (expense)	3,138	(2,228)	2,776	(492)
Finance (cost) income, net	(6,707)	(15,259)	742	(11,116)
Foreign exchange (loss) gain	(1,428)	301	4	476
<b>Income (loss) from operations before income taxes and equity income of associates</b>	<b>6,170</b>	<b>41,428</b>	<b>(1,948)</b>	<b>(4,405)</b>
Income tax (expense) benefit	(11,683)	(17,793)	39	(2,022)

<b>(Loss) income from operations before equity (loss) income of associates</b>	<b>(5,513)</b>	<b>23,635</b>	<b>(1,909)</b>	<b>(6,427)</b>
Equity (loss) income of associates (net of income tax)	(2,878)	2,783	780	(735)
<b>Net (loss) income</b>	<b>\$ (8,391)</b>	<b>\$ 26,418</b>	<b>\$ (1,129)</b>	<b>\$ (7,162)</b>
<b>Attributable to:</b>				
Equity holders of Neo Performance Materials Inc	\$ (8,442)	\$ 25,947	\$ (1,367)	\$ (7,291)
Non-controlling interest	51	471	238	129
	<b>\$ (8,391)</b>	<b>\$ 26,418</b>	<b>\$ (1,129)</b>	<b>\$ (7,162)</b>
<b>(Loss) earnings per share attributable to equity holders of Neo Performance Materials Inc.:</b>				
Basic	\$ (0.19)	\$ 0.62	\$ (0.03)	\$ (0.16)
Diluted	\$ (0.19)	\$ 0.61	\$ (0.03)	\$ (0.16)

See Management's Discussion and Analysis for the year ended December 31, 2023, available on Neo's website at [www.neomaterials.com](http://www.neomaterials.com) and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

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

(\$000s)	Year Ended December 31,		Three Months Ended December 31,	
	2023	2022	2023	2022
<b>Net (loss) income</b>	\$ (8,391)	\$ 26,418	\$ (1,129)	\$ (7,162)
Add back (deduct):				
Finance cost (income), net	6,707	15,259	(742)	11,116
Income tax expense (benefit)	11,683	17,793	(39)	2,022
Depreciation and amortization included in cost of sales	9,626	9,406	2,416	2,361
Depreciation and amortization included in operating expenses	7,187	7,313	1,813	1,784
<b>EBITDA</b>	<b>26,812</b>	<b>76,189</b>	<b>2,319</b>	<b>10,121</b>
<b>Adjustments to EBITDA:</b>				

Other (income) expense <sup>(1)</sup>	(3,138)	2,228	(2,776)	492
Foreign exchange loss (gain) <sup>(2)</sup>	1,428	(301)	(4)	(476)
Equity loss (income) of associates	2,878	(2,783)	(780)	735
Share-based compensation <sup>(3)</sup>	3,738	2,483	1,946	610
Fair value adjustments to inventory acquired <sup>(4)</sup>	1,217	—	222	—
Transaction and project startup costs (recoveries) <sup>(5)</sup>	2,571	(22)	457	—
Impairment of assets <sup>(6)</sup>	1,713	1,233	1,713	938
<b>Adjusted EBITDA <sup>(6)</sup></b>	<b>\$ 37,219</b>	<b>\$ 79,027</b>	<b>\$ 3,097</b>	<b>\$ 12,420</b>
<i>Adjusted EBITDA Margins <sup>(7)</sup></i>	<i>6.5 %</i>	<i>12.3 %</i>	<i>2.4 %</i>	<i>7.8 %</i>
Less:				
Capital expenditures <sup>(8)</sup>	\$ 43,961	\$ 17,470	\$ 24,332	\$ 6,372
<b>Free Cash Flow <sup>(7)</sup></b>	<b>\$ (6,742)</b>	<b>\$ 61,557</b>	<b>(21,235)</b>	<b>6,048</b>

Free Cash Flow Conversion <sup>(7)</sup>	(18.1 %)	77.9 %	(685.7 %)	48.7 %
<b>Notes:</b>				
(1)	<p>Represents other (income) expenses resulting from non-operational related activities, including provisions for damages for outstanding legal claims related to historic volumes. These expenses and recoveries are not indicative of Neo's ongoing activities. For the year ended and three months ended December 31, 2023, included in other income was a bargain purchase gain resulting from the acquisition of SGTec when the consideration paid was less than the fair value of the identifiable net assets, and a net gain of \$0.7 million from the sale of Neo's property, plant and equipment at its subsidiary in south Korea. This was partly offset by the restructuring cost at NPM Silmet OÜ ("<b>Silmet</b>") from the shuttering of its energy-intensive hydrometallurgical processing of niobium and tantalum bearing ores, the restructuring cost at Neo's facility in south Korea, charges for estimated damage claims related to legal proceedings and estimated costs for the disposal of existing NORM.</p>			
(2)	<p>Represents unrealized and realized foreign exchange losses that include non-cash adjustments in translating foreign denominated monetary assets and liabilities.</p>			
(3)	<p>Represents share-based compensation expense in respect of the Omnibus LTIP and the LTIP.</p>			

(4)	<p>In accordance with IFRS 3 <i>Business Combinations</i>, and on completion of the acquisition of SGTec, Neo recorded SGTec's acquired inventory at fair value, which included a mark-up for profit of \$1.2 million. A portion of this inventory was sold during the year, and had a \$1.2 million and \$0.2 million, respectively, impact on Net income (loss) in the year ended and three months ended December 31, 2023.</p>
(5)	<p>These represent primarily legal, professional advisory fees and other transaction costs for capital structuring associated with Neo or investments of Neo. Neo has removed these charges to provide comparability with historic periods. For the year ended and three months ended December 31, 2023, Neo incurred \$1.4 million and \$0.5 million, respectively, of project costs related to the establishment of the rare earth magnet manufacturing capability in Europe. Additionally, Neo also incurred total acquisition-related costs of \$1.2 million and \$nil, respectively, in the acquisition of SGTec for the year ended and three months ended December 31, 2023. These costs have been included in selling, general and administrative expense in the condensed consolidated statements of profit or loss.</p>



(6)	<p>For the year ended and three months ended December 31, 2023, the amount represents impairment in property, plant and equipment of \$1.7 million and inventory of \$1.1 million in order to streamline the operational and business processes at the Silmet facility. This was partly offset by the recovery of asset in the C&amp;O segment due to the reversal of previously impaired asset on June 30, 2020, which will be transferred to NAMCO's new facility for utilization. For the year ended and three months ended December 31, 2022, the amount represents impairment in property, plant and equipment, long-term asset and prepayment.</p>
(7)	<p>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&amp;A, available on Neo's website <a href="http://www.neomaterials.com">www.neomaterials.com</a> and on SEDAR+ at <a href="http://www.sedarplus.ca">www.sedarplus.ca</a>.</p>
(8)	<p>Includes capital expenditures of \$41.7 million and right-of-use assets of \$2.2 million for the year ended December 31, 2023 and capital expenditures of \$24.3 million for the three months ended December 31, 2023. The aforementioned amounts exclude the additions of Property, Plant and Equipment of \$13.3 million from the acquisition of SGTec.</p>

**TABLE 8: RECONCILIATIONS OF NET (LOSS) INCOME TO ADJUSTED NET (LOSS) INCOME**

(\$000s)	Year Ended December 31,		Three Months Ended December 31,	
	2023	2022	2023	2022

<b>Net (loss) income</b>	<b>\$ (8,391)</b>	<b>\$ 26,418</b>	<b>\$ (1,129)</b>	<b>\$ (7,162)</b>
<b>Adjustments to net (loss) income:</b>				
Foreign exchange loss (gain) <sup>(1)</sup> .....	1,428	(301)	(4)	(476)
Impairment of assets <sup>(2)</sup> .....	1,713	1,233	1,713	938
Share-based compensation <sup>(3)</sup> .....	3,738	2,483	1,946	610
Transaction and project startup costs (recoveries) <sup>(4)</sup> .....	2,571	(22)	457	–
Other items included in other (income) expense <sup>(5)</sup> .....	(2,529)	2,560	(2,251)	546
Fair value adjustments to inventory acquired <sup>(6)</sup> .....	1,217	–	222	–
Tax impact of the above items.....	(722)	(615)	(53)	(142)
<b>Adjusted net (loss) income.....</b>	<b>\$ (975)</b>	<b>\$ 31,756</b>	<b>\$ 901</b>	<b>\$ (5,686)</b>
<b>Attributable to:</b>				
Equity holders of Neo .....	\$ (1,026)	\$ 31,285	\$ 663	\$ (5,815)
Non-controlling interest.....	\$ 51	\$ 471	\$ 238	\$ 129
<b>Weighted average number of common shares outstanding:</b>				
Basic.....	44,325,106	41,992,938	42,417,505	45,196,921
Diluted.....	44,325,106	42,327,548	42,417,505	45,196,921
<b>Adjusted (loss) earnings per share <sup>(7)</sup> attributable to equity holders of Neo:</b>				
Basic.....	\$ (0.02)	\$ 0.75	\$ 0.02	\$ (0.13)
Diluted.....	\$ (0.02)	\$ 0.74	\$ 0.02	\$ (0.13)
<b>Notes:</b>				
(1)	Represents unrealized and realized foreign exchange losses that include non-cash adjustments in translating foreign denominated monetary assets and liabilities.			

(2)	<p>For the year ended and three months ended December 31, 2023, the amount represents impairment in property, plant and equipment of \$1.7 million and inventory of \$1.1 million in order to streamline the operational and business processes at the Silmet facility. This was partly offset by the recovery of asset in the C&amp;O segment due to the reversal of previously impaired asset on June 30, 2020, which will be transferred to NAMCO's new facility for utilization. For the year ended and three months ended December 31, 2022, the amount represents impairment in property, plant and equipment, long-term asset and prepayment.</p>
(3)	<p>Represents share-based compensation expense in respect of the Omnibus LTIP and the LTIP.</p>
(4)	<p>These represent primarily legal, professional advisory fees and other transaction costs for capital structuring associated with Neo or investments of Neo. Neo has removed these charges to provide comparability with historic periods. For the year ended and three months ended December 31, 2023, Neo incurred \$1.4 million and \$0.5 million, respectively, of project costs related to the establishment of the rare earth magnet manufacturing capability in Europe. Additionally, Neo also incurred total acquisition-related costs of \$1.2 million and \$nil, respectively, in the acquisition of SGTec for the year ended and three months ended December 31, 2023. These costs have been included in selling, general and administrative expense in the condensed consolidated statements of profit or loss.</p>

(5)	<p>Represents other (income) 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. For the year ended and three months ended December 31, 2023, included in other income was a bargain purchase gain resulting from the acquisition of SGTec when the consideration paid was less than the fair value of the identifiable net assets, and a net gain of \$0.7 million from the sale of Neo’s property, plant and equipment at its subsidiary in south Korea. This was partly offset by the restructuring cost at the Silmet facility from the shuttering of its energy-intensive hydrometallurgical processing of niobium and tantalum bearing ores and the restructuring cost at Neo’s facility in south Korea .</p>
(6)	<p>In accordance with IFRS 3 <i>Business Combinations</i>, and on completion of the acquisition of SGTec, Neo recorded SGTec’s acquired inventory at fair value, which included a mark-up for profit of \$1.2 million. All of this inventory was sold during the year, and had a \$1.2 million and \$0.2 million, respectively, impact on Net income (loss) in the year ended and three months ended December 31, 2023.</p>
(7)	<p>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&amp;A, available on Neo’s website <a href="http://www.neomaterials.com">www.neomaterials.com</a> and on SEDAR+ at <a href="http://www.sedarplus.ca">www.sedarplus.ca</a>.</p>

## 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 the United Kingdom, 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 the 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, 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.sedarplus.ca](http://www.sedarplus.ca).

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