

Neo Performance Materials Inc.

First Quarter 2026 Earnings Conference Call

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PRESENTATION

Operator

Good morning and welcome to the Neo Performance Materials First Quarter 2026 Earnings Conference Call.

For opening remarks and introductions, let me turn the call over to Jim Fitzpatrick, SVP of Investor Relations and Communications for Neo. Jim, please proceed.

Jim Fitzpatrick — SVP of Investor Relations and Communications, Neo Performance Materials Inc.

Thank you, Operator, and good day everyone. Today's call is being recorded. A replay will be available starting tomorrow in the Investors Center on our website at neomaterials.com.

Our call will be accompanied by a live webcast presentation. If you're joining us online, the slides will advance automatically as we progress through the discussion. You can also download a copy of the presentation from our website to follow along or reference afterward.

On today's call are Rahim Suleman, Neo's President and Chief Executive Officer, and Jonathan Baksh, Neo's Executive Vice President and Chief Financial Officer.

Please note that some of the information you will hear during today's presentation and discussion will consist of forward-looking statements within the meaning of applicable securities laws, including statements regarding revenue, EBITDA, Adjusted EBITDA, product volumes, product pricing, capital expenditures, operational plans, customer agreements, the ramp-up of our European permanent magnet

facility, heavy rare earth separation, and 2026 guidance. Actual results or trends could differ materially from those discussed today. For more information, please refer to the risk factors discussed in Neo's most recent filings, including the AIF and the audited financial statements and MD&A for the period ending March 31, 2026, available on SEDAR and our website.

Financial amounts presented today will be in U.S. dollars unless otherwise noted. Non-IFRS financial measures will be used during the conference call. Reconciliations to the nearest IFRS measures are included in our MD&A.

Neo assumes no obligation to update any forward-looking statements except as required by applicable law.

I'll now turn the call over to Rahim Suleman, President and CEO of Neo.

Rahim Suleman — President and Chief Executive Officer, Neo Performance Materials Inc.

Good morning everyone. Neo continued to deliver very strong financial results through the first quarter of 2026, building on the momentum we have demonstrated in 2024 and in 2025. The impacts can be seen financially, operationally, and strategically across all of our business segments.

Revenue for the first quarter was $155 million, up 27 percent from the first quarter of last year. Adjusted EBITDA was $36.2 million, which is more than double the $17.1 million in the first quarter of 2025. This strong performance which significantly exceeded expectations reflects continued resilient demand across our core businesses, a disciplined operational execution across our global platform, and a

continued strong pricing environment. This quarter's EBITDA is the highest in the Company's history, led by a record-breaking quarter in our Rare Metals business, which I'll talk more about shortly.

We also had strong results for Magnequench and Chemicals and Oxides. Magnequench delivered a 39 percent year-over-year increase in Adjusted EBITDA with bonded magnets and powders showing meaningful increases.

Chemicals and Oxides had its best quarter of earnings since the third quarter of 2023.

Our first quarter results benefitted from elevated prices across the market, particularly for hafnium. During our last update in March, I shared that we didn't have the usual level of contracted volumes that we would typically see at that time of year. We talked about customers being a little hesitant to enter into contracts at those elevated prices, and hafnium spot sales were very low in January and February. In March, spot sales nearly doubled, those of January and February combined, driven by relatively smaller orders, but across many customers.

Although contracted volumes are still not at the level we are used to seeing at this time of year, recently we've seen an uptick in customers entering in contracts for volumes covering at least portions of the remainder of this year.

With a strong Q1 behind us, and as we look forward to the rest of the year, we continue to see strength in all three business units. And with a continued supportive price environment, we are increasing our Adjusted EBITDA guidance for the rest of the year to be $100 million to $110 million, an increase from the $75 million to $80 million we provided earlier.

Moving to Slide 4, today I'd like to cover four main topics before turning it to Jonathan for more details on our financial performance. First, an overview of the larger elements of our Rare Metals business and trends we are seeing in the market and in pricing; second, an update to the progress we are making on the production of rare earth magnets in Europe; third, an update on our heavy rare earth separation capability in Europe; and lastly, an update on our recent AI initiatives announcement.

So first, let's talk about our Rare Metals business on Slide 5.

With the world increasingly focused on needing rare earth magnetics on a globally diversified basis, we sometimes overlook the Neo Rare Metals business. As you know, our Rare Metals business is comprised generally of four major metals: hafnium, gallium, tantalum, and niobium, in addition to a number of smaller metals. All of these rare metals are considered critical materials on almost every government's critical materials list. That generally means that the materials are critical for future facing applications and there is some sort of supply risk attached to them.

In Neo's case, most of our rare metals are also on the China Export Control List, and with gallium and hafnium, China is the world's largest supplier. Most of our rare metals are supported by direct government involvement to create diversity and security, including initiatives like Project Vault in the U.S.

Let's look at three of these metals in a little bit more detail.

On Slide 6, first we'll talk about gallium. Gallium is used in many applications including semiconductors, lighting, and permanent magnets. China supplies 96 percent of the world's primary gallium and gallium is on the China Export Control List. In many senses, the future of the world of

computing, AI, robotics, and all related applications depend on semiconductors and gallium for their future growth. Neo is a recycler and upgrader of gallium. We can upgrade primary gallium to semiconductor grade requirements or we reprocess scrap and waste gallium, first into base gallium and then upgrade that to semiconductor grade requirement. We are the largest and most experienced gallium recycling and upgrading operator in North America.

Demand for gallium is increasing dramatically as the Western world tries to create diversified supply chains for both semiconductors and permanent magnets. And as you can see, the dramatic growth in gallium prices as it's moved almost up 180 percent from $675 per kilogram in April ‘25 to almost $1,900 per kilogram in April of this year.

Moving to Slide 7, Neo is also a key provider of both hafnium and tantalum metal, which are primarily used in nuclear, space, and aerospace industries. Neo is the only recycler and processor of scrap hafnium in Europe, and Neo can process both tantalum oxides and tantalum scrap into tantalum metal in Europe. Hafnium is also being used on DRAM chips necessary for both memory and AI applications. This has caused increased demand in a tight supply environment. Hafnium is also on the China Export Control List.

The chart here shows the pricing trends of hafnium. Hafnium has moved from $3,700 a kilogram in April of last year to $13,500 per kilogram in April of ‘26, a 265 percent price increase.

Tantalum had previous volume and price declines in the Western world as a lot of tantalum was moved out of China a couple of years back in anticipation of future tariffs. Over the last year, this stockpile has diminished and Western customers are once again buying more tantalum metal from Western

sources. The chart here shows the recent increase in tantalum metal prices. Tantalum metal pricing has increased from just over $300 a kilogram in April of last year to over $800 per kilogram in April of this year.

Let's move now to an update of our European permanent magnet facility on Slide 8.

On my most recent visit to our European permanent magnet site in Europe, I saw firsthand that the momentum that the team has been building over the last several months is continuing as we ramp up and move closer to full production.

The team achieved a major milestone in February with the production of our one millionth magnet, and overall, things are continuing to progress very, very well.

As we have consistently laid out and reiterated in our 2026 priorities, we continue to be on track to launch two to three customer programs later this year. The team is making great progress on ensuring the products we are producing are meeting customer specifications, and that includes tightening the distribution of magnetic specifications every day. As expected, we have more work to do to improve the product yield and throughput, but we have the necessary time and the necessary expertise before we get into full commercial production to improve in both of these areas.

We've also been progressing planning for our Phase 1B expansion, which will eventually increase production capacity from 2,000 tonnes to 5,000 tonnes. These planning activities include detail engineering, long-lead equipment assessments, and supply chain planning. In addition to Schaeffler and Bosch, Neo continues to advance qualification programs and contract discussions with additional

customers in the automotive, industrial, and renewable energy sectors. Longer term, our roadmap targets 20,000 tonnes annually through future expansions in additional regions. We expect that this would position us to eventually capture around 10 percent to 15 percent of the projected outside of China market for rare earth permanent magnets.

Moving to Slide 9, in April, we announced the successful launch of our new small-scale heavy rare earth separation line in Europe. The operation recently produced separated terbium and dysprosium process solutions, precursor products for metalmaking, with all processing completed entirely in Europe.

Neo, of course, has been a heavy rare earth separator for over 30 years, and our rare earth value chain spans both light and heavy rare earth processing, an important next step in our strategy to build the most vertically integrated rare earth magnetic value chain in Europe. This reinforces our position as one of the few companies with integrated capabilities across separation, metals, and magnets in a globally diversified production footprint.

Moving to Slide 10, and lastly, let me shift the topic to artificial intelligence and provide some more context about the announcement we recently made: a multi-year research partnership with the Tallinn University of Technology in Estonia, which will help us accelerate our plan to embed artificial intelligence and machine learning across product development and manufacturing operations.

Neo sees great opportunities to meaningfully deploy AI in our operations, as we have several key considerations that we believe are critical to operationalizing the AI opportunity. We have a defined opportunity, both product and process driven, with key goals that can be identified. We have existing and

extensive operational data to build upon in our 30 years of experience as rare earth separators and magnetic producers. This is real world operating data rather than just computer models and textbooks.

We have extensive domain expertise in rare earth chemistry, in physics, and in magnetics.

We combine domain expertise with both our data science team, along with the AI leadership capabilities of the TalTech team. And we have actual operating infrastructure and equipment upon which we can learn, test, modify, and improve our AI models.

We're well into our AI journey, and there are a number of projects that we have completed or are currently in process. We are excited to accelerate this journey to drive new product and process improvements across the organization with our partnership with TalTech University.

With that, I'll turn the call over to Jonathan to walk through the financial results in more detail.

Jonathan Baksh — Executive Vice President and Chief Financial Officer, Neo Performance Materials Inc.

Thank you, and good morning everyone.

Moving to Slide 11, as Rahim highlighted, Neo delivered a very strong first quarter. Revenue for the first quarter was $155 million, up 27 percent year-over-year. Adjusted earnings per share was $0.36, and Adjusted EBITDA more than doubled year-over-year, reflecting the combined impact of improved pricing and operating discipline across the portfolio.

Moving to Slide 12 and taking a closer look at each of our segments, Magnequench revenue increased 46 percent year-over-year to $64.7 million on the back of 18 percent volume growth, reflecting strong end market demand in bonded magnets and powders for automotive and industrial applications.

Adjusted EBITDA reached $9.2 million, up year-over-year by approximately 40 percent, representing the segment's strongest quarterly EBITDA since the second quarter of 2022. These exceptional results reflect a combination of rising rare earth prices, disciplined cost management, and higher volumes across multiple products.

Volumes of bonded magnets were up 17 percent year-over-year, driven by continued growth in server cooling fan applications for AI data centres. Bonded powder volumes were up almost 19 percent, benefitting from both healthy downstream demand and customers continuing to manage their pipelines in response to heightened geopolitical and supply chain risk.

Moving to Slide 13, Chemicals and Oxides delivered a strong quarter, with Adjusted EBITDA up 12 percent year-over-year to $7.7 million. These results reflect a more focused, higher margin portfolio, strong performance and emission catalyst, and a more stable cost structure. Emission catalyst volumes were up 7 percent year-over-year, building on strong momentum from last year and solid commercial execution.

As we've discussed previously, the C&O business is focused on higher margin downstream businesses, including wastewater treatment solution. This reflects a business that is more focused with higher earnings quality.

Rare earth separation performance benefitted from rising rare earth prices during the quarter. Our European separation facility, with its differentiated technical capabilities, a world-class laboratory, and a newly commissioned heavy rare earth separation line, positions the C&O segment for longer-term growth.

Moving to Slide 14, as Rahim shared earlier, Rare Metals significantly outperformed and delivered an outstanding quarter, with revenue increasing 75 percent year-over-year, and Adjusted EBITDA reaching $23.9 million, up over 175 percent.

Hafnium prices reached record highs during the quarter, driving significantly higher margins. Although contracted hafnium volumes remained below typical levels, spot market activity increased late in the quarter, enabling the Rare Metals segment to capture meaningful upside from the pricing environment. With substantial hafnium inventory on hand, the business is well-positioned to meet customer demand and continue benefitting from favourable spot market conditions amidst structurally constrained supply.

In our gallium business, we're seeing strong pricing and demand, with the continued tightening of global supply, largely due to regulatory restrictions and limited supply outside of China. With gallium feedstock being constrained, our team has been focused on new sourcing arrangements and other strategic projects to secure more gallium supply.

Moving to Slide 15 and turning to the balance sheet, we ended the quarter with $42 million in cash and $154 million in total debt. The Company continues to execute a disciplined capital allocation framework, balancing investment and attractive growth opportunities with prudent financial

management, while maintaining balance sheet flexibility. This includes actions such as strategic inventory purchases, with inventory levels continuing to increase during the quarter, partly due to additional hafnium scrap purchases, reflecting a deliberate decision to secure attractive feedstock amidst favourable end-market pricing.

As Rahim shared, we're raising our full year 2026 Adjusted EBITDA guidance to $100 million to $110 million, up from our prior range of $75 million to $80 million, based on our strong first quarter performance, a healthy demand outlook, and a continued favourable pricing environment.

We continue to operate from a position of financial strength, while maintaining disciplined capital allocation and a strong focus on long-term shareholder value.

With that, I'll turn the call back to Rahim for closing remarks.

Rahim Suleman — President and Chief Executive Officer, Neo Performance Materials Inc.

Thanks, Jonathan.

In summary, we delivered an exceptional first quarter and continue to see strong performance and additional growth opportunities in the future. We advanced a number of our strategic priorities and we continue to see favourable market conditions in the upcoming quarters.

By combining operational excellence, a commitment to innovation, and strong financial discipline, we continue to be a trusted partner for high-performance critical material solutions for our customers.

Beyond 2026, Neo is strategically positioned to capitalize on the continued transformation of the critical material supply chain. Our growth trajectory is underpinned by three durable pillars: Sustained exponential demand from a number of high-growth sectors; a global shift towards managing concentration of supply and supply chain localization; and Neo's unique competitive advantage based on 30 years of operational experience and technical depth in rare earth magnetics and specialty materials.

In closing, I'd like to thank our employee teams across the globe for their continued dedication and commitment. And I'd also like to thank our customers for their continued trust in Neo.

And for those of you on this call, thank you for joining us today. We will now open up the call for questions.

Q & A

Operator

We will now open the call to questions. If you would like to ask a question, please press star on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two, if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Your first question comes from Max Yerrill with BMO Capital Markets. Please go ahead.

Max Yerrill — Analyst, BMO Capital Markets

Hey, guys. Thanks for taking my question. Are you still expecting the unwind of the hafnium and gallium inventory through 2026 and the start of 2027 as spot market activity picks up? Then maybe a second part to that is, is this the key driver of a free cash flow inflection this year? When are you thinking of a return to positive free cash flow? Thanks.

Rahim Suleman — President and Chief Executive Officer, Neo Performance Materials Inc.

Yes, Max, I think you're correct. It's Rahim here. Nice to talk to you today.

I think you're correct on both sides. I do think that we would anticipate that we would unwind some of the inventory positions we've taken. But the inventory positions we've taken here have been very helpful. We obviously built more inventory this year when we saw opportunity to acquire more inventory at attractive prices, but I think the general theme would be this. You know, our supply base is pretty full, so it's very healthy. So as we see some things settling down, I think we would return inventory to more normalized levels. But we'll always be opportunistic. When we have opportunities to buy we will, but I think the general assumption should be inventory should return to more normalized levels, and that will obviously create lots of cash flow through the rest of this year.

Max Yerrill — Analyst, BMO Capital Markets

Got it. That's helpful. Then one more from me.

So with the revised and higher guidance, understanding that a lot of that is from the higher hafnium and gallium prices, but have you increased how you're thinking about the Magnequench or the C&O segment? Or is that revised guidance purely from the Rare Metals segment?

Rahim Suleman — President and Chief Executive Officer, Neo Performance Materials Inc.

No, I think we're seeing strength across the board. So we're seeing strength in Magnequench. We're seeing strength in Chemicals and Oxides. I think Magnequench we're always cautious on volumes to watch whether we think customers are building their supply chains or whether it's really native demand. But on the C&O side, one of the things that we're definitely seeing is higher NDPR prices, and that enables our Silmet operation, our Silmet-SX operation to also generate more earnings.

That is know, an incredibly important asset, an incredibly valuable asset. It doesn't perform in terms of EBITDA just because volumes of feedstock are low and prices have been low. Prices are now healthier, and if more volumes come, there's a lot more opportunity that still exists in that facility. But, even at current prices, that facility is now performing well.

Max Yerrill — Analyst, BMO Capital Markets

Thanks, Rahim. Appreciate you taking our questions. I'll turn it back to the queue.

Rahim Suleman — President and Chief Executive Officer, Neo Performance Materials Inc.

Thanks, Max.

Operator

Thank you. The next question comes from Ian Gilles with Stifel. Please go ahead.

Ian Gilles — Analyst, Stifel

Morning, everyone.

Rahim Suleman — President and Chief Executive Officer, Neo Performance Materials Inc.

Morning, Ian.

Ian Gilles — Analyst, Stifel

Rahim, are you at a point yet where you can start putting up some goalposts on potential financial contribution from the heavy rare earth line in Estonia? It's been one of the more interesting projects you're working on, but harder to peg from how much it could help the actual P&L.

Rahim Suleman — President and Chief Executive Officer, Neo Performance Materials Inc.

It’s an excellent question, and I think you're right. It's going to be a really important asset, and it's going to be a meaningful contributor. But I don't think that's what the actual outcome or goals are set for this small-scale commercial line. I think this small-scale commercial line, it'll be a contributor. It won't be a massive contributor in that we've defined it as small-scale.

The real objective of the small-scale commercial line was to get the expertise on the floor and in operations in Europe for folks to see it, for people to be aware of the capabilities that we have, for us ourselves to learn from the heavy rare earth separation in Europe. There's kind of different types of chemistries that one can deploy to do separation. We have experience in all of the various types of chemistries.

So the real genesis and decision-making around putting up the small-scale sep heavy line in Europe was really to make decisions as we go forward, to have the data available to us as we go forward to determine when we expand Silmet in time, whether we would choose to do that as an integrated facility, whether we would choose that as parallel facilities, which chemistry we would apply and what all kind of the data and learnings we can have before we get into kind of the next phase of Silmet growth.

I think the next phase of SILMET growth, both in our existing facility, but more particularly we'll make investments to grow capacity in that facility, I think that will be a substantial contributor. But the existing heavy rare earth small-scale line will not be a substantial contributor, but it will be making heavy rare earths available in Europe for other downstream processes.

Ian Gilles — Analyst, Stifel

Okay. That's helpful.

The other thing I was curious on with Europe now having, I guess, a carbon adjustment mechanism, are you seeing any change in customer behaviour in which they're willing to accept higher pricing for your products in Europe now, just because it's more expensive for product from China or elsewhere to come into the continent?

Rahim Suleman — President and Chief Executive Officer, Neo Performance Materials Inc.

For sure. But I would say that in a rational way. Our customers are highly sophisticated. Our customers are the largest motor makers in the world. They've been buying motors for a very long period

of time. They understand what pricing and costing is like. They understand the availability of material, and they understand the supply chain risks that they have in their business and they seek to solve them.

So I think we have kind of very pragmatic conversations with our customers in terms of price. I don't think that we live in a world of hostage pricing, but I do think that I would say that Europe sees value. Our customers see value in what we're doing, and that ties to initiatives within Europe. It also ties to initiatives just around local for local supply chains. So there's a number of factors that come into play there.

But I would say that the world is a competitive place, and it remains a competitive place, so we need to ensure that we are most cost effective and we are bringing the appropriate technology and that the customer is understanding all of the value that we bring. And part of that value is absolutely enhanced by those things that you've talked about in terms of the carbon efforts within Europe, as well as diversification.

So I think you combine those two things is why we see the strength in our European business model.

Ian Gilles — Analyst, Stifel

Okay. Last one: energy costs are obviously rising globally. You have a wide range of assets. Can you maybe just talk about how you thought about higher energy costs that you have put together in new guidance, just because it's a very fluid situation?

Rahim Suleman — President and Chief Executive Officer, Neo Performance Materials Inc.

I think energy costs are definitely rising, and energy probably sits outside of the bill of material, probably sits within a top three, four, five cost element for us. So we actually do consider higher energy costs going forward and our forecast would consider it for the forecast period. So we didn't just think it would end in three months or anything like that. So we've continued with a higher energy forecast over the period.

It’s covered now by higher prices, but we've softened prices in our forecast going forward as well to find the right balance there, and even that still leaves us with tremendous opportunity of growth and earnings.

Ian Gilles — Analyst, Stifel

Understood. That's helpful. I'll turn the call back over. Thank you very much.

Rahim Suleman — President and Chief Executive Officer, Neo Performance Materials Inc.

Thanks, Ian.

Operator

Thank you. The next question comes from Daniel Harriman with Sidoti & Company. Please go ahead.

Daniel Harriman — Analyst, Sidoti & Company

Hey, guys. Good morning. Thanks for taking my questions, and congrats on the continued progress and execution.

I wanted to talk a little bit about bonded powder volumes. Obviously those are up almost 19 percent in the quarter, but I'm curious if there's a scenario you see where powder volumes could soften in the back half of the year once customers feel that they've adequately built up their safety stock, and was hoping you could talk a little bit more about gallium and maybe what the realistic ceiling is on volumes there and over what timeframe you can meaningfully grow that business, understanding that right now really the limiter is not demand but availability of scrap supply. Really appreciate it. Thank you.

Rahim Suleman — President and Chief Executive Officer, Neo Performance Materials Inc.

Very good, Daniel. I think you're right on both counts. So I think you're right with respect to Magnequench bonded volumes. The reality is last year our volumes were up 30 percent. Our volumes are running at that similar level here in Q1 2026. Frankly, I don't think the end market has grown by 30 or 30-something percent, right? So I do think that they're seeing additional volume being put through the system as folks are being thoughtful about what their supply chains look like.

I think that has two tentacles to it. One is, of course, you know, there's a point when customers are comfortable and then we'll see whether there's a kind of a reduction of volume to remove some of the stock in the system or whether it's just a return to normalized volumes levels in the long run.

But I think that's also offset with the fact that we have bonded capability in multiple locations around the world. I still think that there's opportunity in the world of diversity of supply for us to continue to get more and more business.

But I think that the first comment is, yes, current volumes, I think, are outgrowing the end market and we're thoughtful of that in our forecast. But I do think that there's long term value here that still hasn't been realized in terms of volumes that will eventually come even further to Neo.

With respect to gallium, I also think your observations are absolutely correct. We are really not limited from a sales and a demand perspective. There's plenty of sales and demand available for our gallium. We are limited by supply. We are working more and more around the world to find additional sources of supply. We are working more with primary gallium suppliers with respect to the upgrading process.

I think that there'll be more gallium available under kind of two scenarios. One is there's more efforts going on to generate primary gallium in the Western world and we're highly supportive and are part of a number of those discussions. And secondly, as we are producing more gallium—sorry, more semiconductors and more gallium product, even magnetics, in the Western world, by default more supply will be available for us in the form of scrap. And of course, we're well positioned to receive it.

I'm not sure that that's a one year phenomenon, although I do think we are seeing strength in both volume and price in our gallium business, but the strength around volume is coming from us identifying more opportunities for scrap, working more with others in the in the industry to find ways to capture more of their scrap to ensure that they have—as a supply chain, we have all the right processes in place

to ensure that no scrap—no gallium usable scrap leaves the system. I think there's high alignment with everyone in the supply chain to do that.

So I think there's great progress on identifying and capturing more scrap streams while we're waiting for more volume to also generate more opportunity.

Daniel Harriman — Analyst, Sidoti & Company

Thanks for the thoughtful response, Rahim, always helpful.

Rahim Suleman — President and Chief Executive Officer, Neo Performance Materials Inc.

Thanks, Daniel.

Operator

Thank you. We have reached the end of the question-and-answer session. This concludes today's conference and you may now disconnect your lines. Thank you for your participation.