

Neo Performance Materials Inc

Second Quarter 2026 Earnings Call

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PRESENTATION

Operator

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

Following the presentation we will conduct a question-and-answer session. If at anytime during this call you require immediate assistance, please press star, zero for the operator. This call is being recorded, August 11, 2026.

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

Jim Fitzpatrick — SVP of Investor Relations & 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 Investor Centre 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.

Before we begin, I want to remind listeners that some of the information discussed today will include forward-looking statements within the meaning of applicable securities laws. These statements reflect current expectations but involve risks and uncertainties that may cause actual results to differ materially. We refer you to our filings on SEDAR and the Investors section of our website for a discussion of these risks.

Financial figures are presented in U.S. dollars unless otherwise stated, and we will reference certain non-IFRS financial measures. Reconciliations are available in our financial statements and the MD&A.

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, and starting from Slide 3, coming off a strong first quarter, Neo delivered yet another record-breaking quarter in Q2, marked by strong operational performance, continued execution on our strategic priorities and financial results that once again exceeded expectations.

Adjusted EBITDA was $57 million, which is a new all-time quarterly high for the Company, representing an increase of over 200 percent from the second quarter of 2025. Year-to-date, our Adjusted EBITDA is $93 million, up 158 percent compared to the first half of 2025. This exceptional performance reflects continued strength in volumes across all of our segments, strong improvements in our conversion costs and a sustained favourable pricing environment.

Magnequench delivered its strongest quarterly Adjusted EBITDA in four years, driven by a 35 percent year-over-year increase in bonded magnet shipments. Chemicals and Oxides also had a very strong quarter, delivering a 56 percent year-over-year increase in Adjusted EBITDA, driven by strong performance in our emission catalyst business, and Rare Metals had a record performance, delivering $45 million of Adjusted EBITDA in the quarter, driven by healthy volumes and a sustained strong pricing environment.

Looking at the second half of the year, we are seeing continued end market strength in both pricing and volumes. Across all of our business units, we have increased contracted volumes through the remainder of 2026 and for some businesses into 2027, along with securing more inventory, particularly for hafnium, gallium and tantalum.

In early July, we increased our full year Adjusted EBITDA guidance to $140 million to $150 million. Today, we reaffirm the top end of this range with potential for us to exceed this. This would represent approximately double our full year 2025 Adjusted EBITDA.

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Turning now from our near-term outlook to our midterm growth strategy, specifically two areas of investment for Neo, our European magnet operation and our bonded magnet business. To help fund this growth, in May we successfully completed CA$115 million treasury offering, a financing that reflects both the strength of investor confidence in Neo strategy and the growth opportunities in front of us. This capital is largely earmarked for equipment for Phase 1b of our European permanent magnet facility, as well as for the expansion of our bonded magnet business. These investments position Neo to meet the

accelerating demand that we are seeing across the rare earth permanent magnets, and we intend to deploy this capital with the same discipline and strategic focus that has been our hallmark to date.

Now let's look at each of these in turn, starting with our European permanent magnet facility.

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As you know, our European permanent magnet platform represents one of the first large-scale integrated rare earth magnet supply chains outside of China, supporting Europe's automotive, industrial, robotics and clean energy segments. Combined with our European rare earth separation capabilities, we have the most vertically integrated platform in Europe, and that positions Neo to capture long-term growth in permanent magnet demand.

As we promised, we built this facility in under two years on time and on budget. We have won multiple program awards from three different Tier 1 motor manufacturers, including for traction motors. We have delivered qualifying samples to our customers for these programs made from this production equipment in Europe, and we continue to be on track to meet our commitment of launching two to three customer programs into commercial production by the end of this year.

We also continue to advance our Phase 1b expansion activities, which are expected to increase production capacity in Europe from 2,000 tonnes to 5,000 tonnes. These activities include advanced equipment purchasing, supply chain planning, detailed designing of the facility, as well as a layout for construction. And as I've shared on previous updates, our longer-term road map for magnet production targets 20,000 tonnes annually through continued global expansion. We anticipate that this amounts to

approximately 10 percent to 15 percent of the projected rare earth permanent magnet market outside of China.

Moving to Slide 6.

Now, while we have been focused recently on the future growth of our sintered magnet business, our bonded magnet business is sometimes overlooked, and it's an important existing business for Neo as well as an area of growth. The universe of rare earth magnets encompasses both bonded magnets and sintered magnets. Most of the new magnet projects you hear about today, including our project in Europe, are for sintered magnets as it is the lion's share of the existing market for rare earth magnets. But bonded rare earth magnets are important, too, and are growing just as fast, if not even faster.

The two types of rare earth magnets share the same underlying principles, the same concepts in physics, much of the same material composition and the same goal of stronger magnets that drive more powerful and more energy-efficient to micromotors. The core technologies are generally the same. The end markets are the same and the customers are the same. And importantly, the concerns around concentration risk are the same. China manufactures approximately 95 percent of the world's bonded magnetic powders and manufactures about 80 percent of the world's bonded magnets.

Although bonded magnets tend to be less powerful than sintered magnets, they also do not use Dy and Tb, the heavy rare earths that are difficult to obtain outside of China. There is clearly growth in both types of rare earth permanent magnets, and as part of our long-standing leadership in rare earth magnetics, Neo has decades of experience in bonded powders and magnetics, including our factories in Thailand, the U.K. and in China.

We have about 8,000 tonnes of installed bonded magnetic capacity, and we are the largest producer of bonded magnetic powders in the world. Neo produces the magnetic powder for the only heavy rare earth-free traction motor magnet in the world for Honda, and we also shipped over 10 million bonded magnets for AI data centers last year.

Moving to Slide 7.

More broadly, Neo's magnetics platform, spanning both bonded and sintered magnets, serves several large and growing end markets. With industrial and automotive applications, decades of proven performance in bonded magnets and deep customer relationships, Neo is an established and trusted supplier for rare earth magnets.

In addition to the established areas for rare earth magnetic demand, there are several faster-growing markets driving additional demand. These include the electrification of vehicles, wind farms, robotics, drones and AI data centers. These applications rely on both bonded and sintered magnets, positioning Neo's full magnetics platform to benefit as these markets continue to scale. In fact, some of these drivers may create higher growth rates in bonded than sintered magnets.

Let's spend a minute just talking about two of these markets, humanoid robots and consumer and commercial drones. I would note that these market forecasts reflect only humanoid robots and a segment of drones, not the full growing market for robotics and air mobility in general.

Moving to Slide 8.

The first is humanoid robotics, where movement is enabled by electric motors and sensors located throughout the machine's joints and subsystems. The largest, highest torque joints often use sintered magnets and bonded magnets play a key role in the precision encoders, position sensors and small actuators that give the robot smooth, accurate and responsive movement. Although estimates can vary widely, a single humanoid robot can contain between 3 kilograms and 7 kilograms of rare earth magnets.

The market for humanoid robots is expected to grow dramatically over the next 10 years, with industry analysts suggesting over 52,000 metric tons of permanent magnets required. And while the current market share for bonded magnets is about 8 percent of the total permanent magnet market, some designs within humanoid robots may call for closer to 15 percent bonded magnets.

Moving to Slide 9.

The second segment is the drone segment, where lightweight, high torque, energy-efficient motors depend on magnets to deliver longer flight times and more stable control. Again, both sintered and bonded magnets will be required here.

Sintered magnets generally are supporting propulsion and bonded magnets are supporting thermal stability and sensing. A single drone can contain up to 60 grams of rare earth magnets and the segmented magnet market for consumer and commercial drones is projected to be approximately 21,000 metric tons by 2035. Again, while drone designs call for predominantly sintered magnets, bonded magnets are also growing with increased volume and increased share.

Stepping back, I think these trends bode very well for Neo in sintered magnets, in bonded magnets and in our rare earth separation business. I expect to see further developments and growth opportunities in both sintered and bonded magnets in the coming quarters, and of course, in expanding our separation capabilities following our announcement earlier this year of the launch of our small-scale commercial production of heavy rare earths in Europe.

With that, I will 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 followed a strong Q1 with an exceptional second quarter. Revenue was $206 million, a nearly 80 percent increase from the second quarter of last year. We set another all-time high for Adjusted EBITDA at $57 million, a 200 percent increase year-over-year. Adjusted earnings per share was $0.55 compared to $0.21 per share in the same quarter of last year. This performance reflects healthy underlying demand and sustained strength in pricing across all of our business segments.

Moving to Slide 12 and taking a closer look at each of our segments, Magnequench revenue increased 28 percent year-over-year to $64.3 million, driven by a 35 percent increase in bonded magnet shipments with higher rare earth prices also contributing to growth. Demand remained healthy across a number of applications, including automotive, industrial automation and advanced computing infrastructure. While bonded powder volumes declined 14 percent year-over-year, they remain modestly

higher year-to-date. The quarter's variance primarily reflects timing of customer orders rather than any change in underlying demand.

As customer volumes, margins and overall business fundamentals remain strong, Adjusted EBITDA for the quarter was $10.5 million, an improvement of almost 40 percent year-over-year, representing the segment's strongest quarterly EBITDA in over four years. These results reflect a combination of strong volumes and sustained strength in rare earth prices. Volumes, margins and business fundamentals remained strong, and the business continues to see encouraging demand signals from customers seeking security of supply and geographic diversification.

Moving to Slide 13, Chemicals and Oxides also delivered a very strong quarter. Revenue was $37.4 million, a 27 percent increase year-over-year. Adjusted EBITDA was $8.5 million, up 56 percent from the second quarter of last year. These results reflect solid performance in emission catalyst, higher volumes and favourable rare earth pricing. Emission catalyst volumes were up 7 percent year-over-year, reflecting continued solid commercial execution supported by improved cost performance.

Our water treatment business advanced the development of a new process enhancement technology with initial units deployed to customers and commercial adoption expected to build in the coming quarters. C&O remains well positioned for long-term growth anchored by Silmet, one of the few non-captive separation facilities in the world equipped with advanced laboratory capabilities and our newly commissioned heavy rare earth separation line.

Moving to Slide 14, our Rare Metals segment delivered record performance in the quarter with revenue of $106 million, up almost 200 percent from prior year, and Adjusted EBITDA of $44 million, up

over 300 percent from prior year. This exceptional performance was driven by strong volumes amid tight global supply as well as sustained elevated pricing. This strength reflects increasing emphasis on supply chain resilience and secure access to critical materials across end markets, including aerospace, industrial gas turbines and semiconductors.

Hafnium volumes increased almost 40 percent year-over-year, while pricing held at record levels. As Rahim highlighted earlier, the business has secured additional contracted volumes through the rest of 2026 and into 2027, improving forward visibility. We're also seeing continued strong demand and pricing for gallium and tantalum amid tightening global supply driven by a combination of regulatory and structural demand factors.

Moving to Slide 15, on the balance sheet we ended the quarter with $96 million in cash and $157 million in total debt, giving us the flexibility to keep funding growth while managing risk prudently. Inventory levels increased in the quarter, largely through deliberate strategic hafnium scrap purchases as well as the ramp of our European sintered magnet business.

As Rahim mentioned, in July we increased our full year 2026 Adjusted EBITDA guidance to $140 million to $150 million, up from prior range of $100 million to $110 million. This increase reflects strong operating performance through the first half of the year, healthy demand across our business as well as sustained higher-than-expected pricing. It also reflects the benefit of securing hafnium, gallium and tantalum inventory alongside increased contracted volumes, giving us greater demand visibility with additional opportunities in spot sales.

As a result, we expect performance to be at the high end of our guidance range. The combination of stronger earnings, increased visibility and a healthy financial position allows us to fund our highest priority investments while maintaining a disciplined approach to capital allocation.

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

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

Thank you, Jonathan.

In summary, this was an exceptional quarter for Neo, another all-time high for Adjusted EBITDA with strong growth in revenue and earnings per share. It reflects sustained demand across all three of our segments, disciplined execution and a resilient pricing environment.

Looking ahead, I'm confident in our raised guidance and our ability to land at the high end or potentially above the range. We continue to invest in the capacity and capabilities that position Neo to meet the accelerating demand we're seeing across permanent magnets and critical materials.

We remain excited about our growth projects and expect to provide updates on these projects in the near future. We have the assets, the experience, the customer relationships and the balance sheet to capture this growth, and we remain focused on executing with the same discipline that’s gotten us here.

Thank you all for joining us this morning, and I’ll now turn the call back to the operator for Q&A.

Q & A

Operator

Thank you. Ladies and gentlemen, we'll now begin the question-and-answer session. Should you have a question, please press the star followed by the one on your touch-tone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press the star followed by the two. If you are using a speakerphone, please lift a handset before pressing any keys. One moment, please, for your first question.

Your first question comes from Daniel Harriman from Sidoti & Company. Please go ahead.

Daniel Harriman — Analyst, Sidoti & Company

Congratulations on another outstanding quarter. I'll start off with two, and then I'll get back into the queue.

Obviously, you're guiding now to the high end of that range, which roughly implies $57 million across the back half of the year compared to $57 million in the second quarter alone. Can you just give a little bit more detail on what assumptions are driving that shape, and where would you say that conservatism sits right now? And then just curious about hafnium contracts into 2027 and how that forward book developing relative to a normal year at this point, and is that business being written right now at prices consistent with where we are today? Thanks so much and congratulations again.

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

Hey Dan, thanks for the question.

So the first on our guidance bridge, I'd just emphasize, obviously, the first half was really strong, and that strength was across all of our segments. When you look to the second half, we see that strength continuing, but I think we've been intentionally measured in our approach for our hafnium outlook. So we do have contracted hafnium volumes for the second half, but we've assumed minimal spot sales in the second half. And so the potential to outperform would come from spot sales. Obviously, the first half was really strong on spot sales. We see a lot of spot sales in the second half; that would give us the potential to outperform.

When you look at next year, we have started to book contracts for 2027. That contract volume, as you said, is at accretive and beneficial prices. Obviously, prices are really high right now, so when we look at our long-term contracts, we do look to lock them in at these beneficial and accretive prices. So ,we are doing that today. I won't give you an exact percentage of how much coverage we have for next year, but I would say we're tracking pretty well in line with kind of historical levels of contracted volumes entering a new year.

Daniel Harriman — Analyst, Sidoti & Company

Thanks, Jonathan. That’s really helpful.

Operator

Thank you. Your next question comes from Nick Boychuk from ATB Capital Markets. Please go ahead.

Nicholas Boychuk — Analyst, ATB Capital Markets

Thanks. Good morning, guys. I appreciate the colour that you shared on the bonded outlook related to both humanoid robots and also drones. Curious, when you're looking at that bonded capacity that you have right now in place, both geographically and size, how comfortable are you with that mix? And when you mentioned that you were making some investments from that treasury offering into bonded, any colour on where those dollars are going or how it's going to be spent would be helpful.

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

Yes. Great questions on both fronts. I think what we wanted to get across here is when we talk about permanent magnets as a general industry and growth in permanent magnets, we obviously continue to be very excited about the growth in our sintered magnet business, and I think we're going to continue to see progress and expansion in that area. But our bonded business just gets overlooked in that universe, right? We already have $240 million of LTM revenue, driven primarily by the bonded. We have significant positive EBITDA driven by our bonded business, all of that, kind of, at market conditions.

We compete with customers or with competitors around the world, and we win business on a competitive basis. Our cost structure is very good, and we're very disciplined in how we operate that business. But at the same time, there is a significant amount of growth opportunity. We talk about the concentration in sintered magnets. We don't talk a lot about the concentration in bonded magnets. That same concentration risk exists. And Neo is the only company that has bonded magnetic powder capability at scale outside of China, so we offer the geographic diversity that customers are looking for. So we've been talking about the various elements of where that business will grow and the strength of that business, and we continue to be very confident in the growth curves of that business.

I think we'll give more details on exact growth plans and how we see that, kind of, unwinding, say, in the next quarter or so, but today, really, we wanted to just reinforce the size of the market, the importance of the market and that it's the same growth trends and kind of confirming that, look, our bonded business remains strong. The growth in the quarter is strong. Our financial growth is often, let's say, overshadowed by the pricing dynamic in our rare metals business. But we really wanted to talk about that there is strength in the other fundamental businesses as well, and we think other long-term growth opportunities in those businesses.

Nicholas Boychuk — Analyst, ATB Capital Markets

Okay. That makes a lot of sense. Thanks, Rahim.

On the sintered opportunity, switching to Europe, there are a couple of interesting reports of Chinese automotive manufacturers taking over capacity for existing European players and how the shift of that whole supply chain is becoming a little bit more Southeast Asian focused just as European firms struggle. I'm curious if you have any commentary around what you're seeing from your existing automotive partners as it relates to Phase 1a as well as how you're thinking about Phase 1b just in the context of that shift that's seemingly happening towards more Chinese influence.

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

Well, I think what we're seeing there is a couple of things. We're seeing that the Chinese export control restrictions are getting more and more difficult and that has led to a number of potential projects from Chinese suppliers to be delayed or to be pulled, quite frankly, in Europe. So what that means for us

in the grand scheme of things, it doesn't change the end market. It doesn't change the fact that Europe is currently importing 25,000 tonnes of magnets and it needs a global and diverse and resilient supply chain. It just means that the Chinese competitors that were going to set up shop in Europe look like they're not going to set up shop in Europe at present following Chinese regulation, but it means that the market is still open for us.

We think that the market will continue to be dominated by Chinese suppliers, but we do think that there is a requirement for localized supply everywhere and a resilient supply chain everywhere. So, frankly, these developments are positive things, but it's actually, to be perfectly honest, not all that impactful because we already see so much demand that we can't actually meet the demand with our capacity. So we keep moving forward, adding capacity to adding technology to adding products and we just continue to have customers waiting for us to deliver more and more magnets.

So the opportunity from a growth standpoint just continues to be extremely strong, and we continue to execute the way that we have outlined that we would execute. So none of this is different than what we had laid out originally. We had talked about we would deliver magnets in 2026, commercial magnets on real programs, including traction motor programs, and we continue to believe that, that will be the case. So we haven't moved our timelines, and we continue to see the market being exceptionally strong.

Nicholas Boychuk — Analyst, ATB Capital Markets

Excellent. Thank you, sir. And last for me, just, Jonathan, coming back to the rare metal pricing dynamic, I just want to make sure I understand a little bit of the dynamic that's still, kind of, baked into H2

'26 when you've commented that there's no spot pricing assumptions that you have baked in. I'm curious why that's the case. If that's a dynamic of customers have indicated to you that they have now restocked their inventory or if that's just conservatism on your part?

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

Yes. So yes, the comment was minimal spot sales in the second half. So we do have contracted volumes for the second half and those would be at beneficial pricing. But we had a really, really strong first half, obviously, and we had a lot of spot sales in the first half. Customers haven't indicated to us that they're not buying at spot in the second half, but just given the strength of the first half, given we have line of sight to certain volumes in the second half, we took what I would say is a moderate or conservative approach in how we view the spot sales in the second half.

I would make one more comment, which is this stuff shifts quarter-to-quarter, but it's not like real demand destruction. If we don't see spot sales in a given quarter, it's just indicative of likely the coming quarters will be stronger because this is really just about demand shifting, not about demand being lost in any given quarter.

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

Yes. And I'll add to that as a comment, just to be open and honest about it. I think we saw more spot sales in June than we would have originally anticipated. So when we gave the guide in early July, we had a view of what the spot sales were looking like and then I think we saw just more demand in June, and then were thoughtful that some of that demand we would have otherwise had planned for July. So it

might just be shifting through the quarters. Either way, I mean, we're still talking about projecting our EBITDA to be double from the prior year. I think that the markets are strong. So it's a universe of do we measure ourselves year-by-year, quarter-by-quarter, month by month or day by day, right? And you'll get fluctuations.

It’s not necessarily always linear, but the market is strong. There's nothing that indicates that the market doesn't continue to be strong. So all factors continue to be really positive for us.

Nicholas Boychuk — Analyst, ATB Capital Markets

Okay. Excellent. Thanks, gentlemen.

Operator

Thank you. Your next question comes from Max Yerrill from BMO Capital Markets.

Max Yerrill — Analyst, Capital Markets Equity Research

Hey, Rahim and Jonathan. Thanks for taking my question.

I wanted to ask a little bit on the bonded magnet margins. Now we've seen the EBITDA margins per tonne creep up over the past few quarters. I was wondering if you could talk about if this is more of a structural market shift you're seeing, or are these some internal cost improvement measures that are showing through? And then any read-through to how we should think about the sintered magnet margin based on this? Thanks.

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

I think the bonded magnet improvements are coming from a number of different areas, right? So first, it's just volume, right? The volumes of bonded magnets and powders that we've been shipping every quarter have been going up over the last couple of years.

Two is the mix of us making more magnets versus just making powders. Again, this was a move for us to get more value add from our business, and we've talked about the growth in our magnets portion of that business. So the magnets portion is growing very healthy. There's more margins in the magnet than there is in just making the powder. Again, it's just one more step on the value-add curve.

I think we have, as we've talked about consistently, seen cost improvements. I think our conversion costs are down 20 percent or so over the last couple of years and volumes are also giving you more leverage.

So I think all of those factors are beneficial for the bonded magnet business. And we're continuing to see customers require and desire more diversity in supply and I think that is helpful for our business as well.

So every element that we look upon that business, I think, is strong. And I think that it's clear we've talked about we wanted to get into more magnet making from the bonded powder side, and then we wanted to get into more assemblies. So we're just going to continue to see more value add inside a growing market. So both volumes and additional margins.

We're also benefitting a little bit from price and lead lag. Obviously, prices have remained high, and we bought a lot of inventory, call it, three or six months ago. You can all see that our inventory balances are quite high. We've been very strategic in the approach. And so I think our bonded business, the quarter's EBITDA is helped by some of the historical purchase costs of our inventory because we make strategic purchases because we have a good view on where we think prices will go.

As it translates over to sintered, I don't know that I see them as, kind of, a direct translation to sintered, but I would say that the overall theme is the same in that customers requiring diversification, lots of demand and I think those things will continue to bode very well for our sintered business, both in Phase 1a and in Phase 1b. And we've talked about the margin profile in Phase 1b being much stronger than the margin profile in Phase 1a. Some of that is, again, volumes. Some of that is leverage. Some of that is cost and yield improvements after we get through our first two or three years of production. And of course, some of that is the nature of contracts that we will have taken on because some of the contracts that we were awarded in Phase 1a were really before a lot of the geopolitical dynamics happened presently.

So I do think that Phase 1b and when we get further into Phase 1a, we're going to see better margins on the sintered side as well, but I think the bonded magnets on a consistently positive trend here with the one note, as I just said, we did get some benefit from inventory pricing.

Max Yerrill — Analyst, Capital Markets Equity Research

Thanks, Rahim. Then one more from me is, are you able to give a sense about how much of the current sales book is contracted versus available for spot pricing? And then maybe how have your traders

been able to source supply? Like is there still constrained volumes or are you finding new sources of feedstock?

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

I think it's different business to business. When we talk about what the backlog is in terms of orders, it's less of a backlog style issue for us. You're awarded platforms and then you operate on the customer forecasts, you have those platforms in place. So some people might define the entire platform that you've been awarded as a backlog. We don't kind of view it that way because the POs and the orders themselves can vary from quarter-to-quarter, from period-to-period. So what I would say there is we continue to have very strong contracted programs and we don't tend to lose any of the programs that were contracted on and then we win more programs. So the book of business is very healthy, but not in certain definitions of how one might define backlog.

There's a little bit more of that backlog feel, let's say, in the rare metals business where there are more contracted volumes for longer periods of time versus, say, the Magnequench or even the Chemicals and Oxides business tends to be we're on a program and then we receive orders against that program. And as I said, we don't define those orders as being backlog per se.

In terms of the market, I think that there continues to be tight supply. So I think in that universe, prices continue to be higher. I think in all of our end markets, probably except for niobium, I think we're seeing continued strength in pricing. So we're seeing strength in pricing in hafnium, gallium and tantalum. We're seeing strength in pricing in rare earths. So all of those things I think continue. I don't see today changes -- major changes in the feedstock dynamic of either of those, of any of those markets. But I think

that you can look at our inventory balances; we've been pretty proactive in securing inventory that we think is very cost effective, that we think has been very opportunistic, so I think we have built our business to be able to take advantage of the pricing trends that we see. And I think it's going to bode well for our margins for the rest of this year and next year and for periods to come.

Max Yerrill — Analyst, Capital Markets Equity Research

Thanks very much. I'll turn it over.

Operator

Thank you. Your last question comes from Ian Gillies from Stifel.

Ian Gillies — Analyst, Stifel Nicolaus Canada Inc.

Good morning, everyone.

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

Good morning, Ian.

Ian Gillies — Analyst, Stifel Nicolaus Canada Inc.

Following on some of the commentary on the guide for the remainder of the year, on the rare metals side, is your inventory position meaningfully more expensive on a unit basis heading into the back half of the year than the first half that provides some of the, I guess conservatism?

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

Yes. So our inventory position is at cost, so what we purchased it for. Obviously, we've been adding to that inventory over the course of time, and you've seen that inventory grow, including growing in this quarter. So the average cost of that inventory has risen, but not materially, and you've seen it in the, again, cost of inventory that you see today. So maybe said another way, there is a lot of potential embedded profit sitting in that inventory that's not valued. That would be, I guess, back to Max's question, available for spot sales if we see those spot sales come through.

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

Yes. If I can add to that, Ian, I think that costs have risen. So all of our inventory costs on a per unit basis are higher in line with the market. But average ASP has risen and particularly with respect to the products that you're focused on or talking about here, we have contracted a certain amount of our volumes for like a three-year period of time at what was at the time, very good prices. So the ASPs that we see actually flowing through our book are actually a combination of historical ASPs and current ASPs. And I think what we're going to see is those historical ASP contracts will -- are diminishing, right? They're being fulfilled over time, and it's being replaced with higher ASPs. So inventory costs are higher than they were like on a per unit basis, but I think ASPs are actually even higher.

Ian Gillies — Analyst, Stifel Nicolaus Canada Inc.

Understood. On the hafnium side, are you able to disclose or provide goalposts on how much of that product is going into semiconductors right now?

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

Yes. We don't supply the DRAM chip market. Our material, we produce metals going into the primarily the superalloy market. So think about aerospace and industrial gas turbines.

The product that goes into the semiconductor industry is actually not a metal. It's hafnium tetrachloride, and yes, so as I said, we don't really supply to that market today. It is obviously a massive demand driver, so it does influence price which is why we talk about it.

Ian Gillies — Analyst, Stifel Nicolaus Canada Inc.

Understood. The other one, as your hafnium profitability is ramped up, how are you thinking about cash dividend payments that are going to have to go to your minority shareholder on Buss & Buss over the next 18 months?

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

Yes. It's challenging because we don't really forecast that out in a sense. The reality is that there's been a lot of reinvestment, as we said, with inventory growing. Historically, we've generally done a dividend or payment annually, but as we sit here today, we're really monitoring the business, monitoring the performance and making decisions quarter-by-quarter. And with really strong prices, we think the right strategy is reinvest, contract volumes and continue to capture that profitability.

Ian Gillies — Analyst, Stifel Nicolaus Canada Inc.

Okay. That's helpful. And then, Rahim, I tend to ask you this question every couple of quarters. There seems to be more and more dollars flowing into the U.S. as they chase the critical mineral strategy. As you sit here today and think over the next couple of years, how are you feeling about Neo's pursuit of going into that market, even building assets in that market and the like?

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

Look, I congratulate a number of the companies and the progress that they're making with respect to building out their infrastructure in the U.S. Neo's focus continues to be a global company so we view all markets in the world as potential areas of expansion, including the United States. We look at the playing field in terms of government support, in terms of end market growth, in terms of cost competitiveness and in terms of a number and where the customers are and where the customers require support.

So I think we continue to be very much in the loop with a number of developments, not just in the United States, but elsewhere in the world. But I congratulate a number of United States players that are making progress. We need to see more players make progress. We need a stronger ecosystem and a stronger infrastructure for this industry. So I think it's a very positive thing for the industry in general.

We may be a participant in that industry or in that particular region, but what I would say is we have a granular focus on where customers are, where we see long-term growth, where we see competitive pricing, and that's where we'll make our expansion decisions.

Ian Gillies — Analyst, Stifel Nicolaus Canada Inc.

Understood. Thanks very much. I'll turn it back over.

Operator

Thank you. Ladies and gentlemen, this concludes your conference call for today. We thank you very much for your participation. You may now disconnect. Have a great day, everyone.