



**Neo Performance Materials**

**Fourth Quarter 2025 Earnings Conference Call**

Event Date/Time: March 19, 2026 — 10:00 a.m. E.T.

Length: 45 minutes

## **PRESENTATION**

### **Operator**

Good morning and welcome to the Neo Performance Materials Fourth Quarter 2025 Earnings Conference Call. For opening remarks and introductions, let me turn the call over to Karen Murray, General Counsel for Neo. Karen, please proceed.

**Karen Murray** — General Counsel, 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 Centre on our website at [neomaterials.com](https://neomaterials.com).

Our call will be accompanied by a live webcast presentation, and if you are 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 for reference afterwards.

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 call and discussion will consist of forward-looking statements within the meaning of applicable securities law, including statements regarding revenue, EBITDA, Adjusted EBITDA, product volumes, product pricing, capital expenditures, operational plans, customer agreements, the ramp-up for our European Permanent Magnet Facility, heavy rare earth separation, and 2026 guidance. Actual results or trends could differ materially from these discussed today.

For more information, please refer to the risk factors discussed in Neo's recent filings, including the AIF, annual audited financial statements, and MD&A for the year ended December 31, 2025, all of which are available on SEDAR+ and on our website.

Financial amounts presented today will be in U.S. dollars, unless otherwise noted.

Non-IFRS financial measures will be used during this conference call, and reconciliations to the nearest IFRS measure are included in our MD&A.

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

I will now turn the call over to Rahim Suleman, President and CEO.

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

Good morning everyone and thank you for joining us today.

The fourth quarter capped off a very exciting year for Neo and, indeed, the industry. We haven't seen so much change in the global rare earth industry since 2010, and we can attest to that because Neo was around in 2010. We adapted, we changed, and we flourished.

The changes this year are quite different than those changes. Neo has seen numerous cycles, numerous commodity price swings, numerous sets of geopolitical uncertainty, and we adapt, we change, and we flourish. This is part of the benefits of having a 30-year history in this industry, a history like no other in the rare earth space.

We ended the year with \$76 million in Adjusted EBITDA, up from the \$64 million in 2024, and increased our guidance range consistently throughout the year, this in a year of new tariffs, new export controls, and a substantial decrease in hafnium prices, and with three fewer manufacturing facilities, two of which were sold at the end of Q1 2025.

Prices had a bit of a ride in 2025. Rare earth prices moved up in the second half of the year, gallium prices were up through most of the year, and hafnium prices were stable for most of the year before increasing in the fourth quarter.

But we focus our business on value-add margins, and we continue to strategically include rare earth pass-through provisions, particularly for our Magnequench contracts. So, while commodity prices were generally very supportive, they are not the main driver of our increased results.

We saw very strong volumes from our customers across our key product lines. Magnequench bonded powder volumes were up. Magnequench bonded magnet volumes were up. C&O emission catalyst volumes were up. C&O water treatment volumes were up, and Rare Metals hafnium volumes were up. The increase in our emission catalyst volumes and results more than exceeded the 10 percent target for growth we laid out for the business a year ago.

Across our businesses, Neo continues to benefit from the structural megatrends in robotics, AI infrastructure, electrification, aerospace, and clean energy. At the same time, governments and customers are increasingly focused on secure and localized supply chains for critical materials.

Moving to Slide 5, our operational discipline and conversion cost improvements played a major role in our improved results.

Over the last two to three years, we have seen reductions in our conversion costs in the 20 to 30 percent range across several of our key products. In 2025, I think the most notable change was realizing the benefits of the new, highly automated emission catalyst facility that we launched in late 2024. This improved data-centric cost improvement process was not limited to emission catalysts. We executed incredibly forward-thinking data-centric projects in Magnequench and Rare Metals, linking the capabilities of our knowledge with data and AI tools to drive even further improvements for the future. I'm confident that you will hear more about these types of data and AI-based projects in the future.

Speaking of AI tools—as an aside—in the world of many milestones at Neo, in 2025, we sold over 10 million rare earth bonded magnets to AI data centers. The breadth of what Neo does and our accomplishments in rare earth magnetism with over 10,000 metric tonnes of capacity for rare earth magnetism is often overlooked but shouldn't be underestimated.

Moving to Slide 6, strategically, it was a very exciting year indeed. I won't review all of the strategic accomplishments achieved throughout the year. Instead, I will just lay out a hit list of some of the key strategic accomplishments.

We launched our emission catalyst facility in late 2024, so the facility ran for a full year in 2025, having qualified all of our products and moved them all to mass production stages with improved costs and improved ESG footprint.

We sold two of our Chinese separation facilities in Q1 2025 and used that cash to drive further global growth projects.

We simplified our portfolio and improved our overall return on capital metrics.

We navigated through two important shock waves to the whole critical materials landscape: the new tariffs introduced by the United States and increasing export control restrictions introduced in China. We continue to serve our customers globally well and responsibly.

We settled all of our outstanding IP litigation against the Company from the past decade related to the emission catalyst business.

We announced and made significant progress toward beginning heavy rare separation in Europe. Neo, of course, has been a heavy rare separator for 30 years. We have the technology and experience, and we are now working to bring capacity online for the Western world.

Moving to Slide 7, the most important development, though, is the progress we have made to bring rare earth permanent magnets to Europe with our plant in Estonia, and for this the milestones are numerous and impressive.

We completed core construction in January 2025 and had the main sets of the magnet-making equipment installed.

In April 2025, we produced in-house our first set of EV traction motor magnets for an awarded customer program in Europe.

In summer of 2025, we announced another award for an EV traction magnet from another Tier 1 customer and European OEM.

In September of 2025, we had our grand opening of this European magnets plant. The grand opening was attended by major OEMs and government officials from around the world. And at the same time, we entered into a strategic multi-year framework agreement with Bosch, one of the largest Tier 1 motor makers in the world, to continue to work closely together and to reserve capacity for future program opportunities and launches with Bosch and their customers.

And we recently shipped our 1 millionth magnet produced from our European permanent magnet facility as we continue to develop new programs and prepare for program launches here in 2026.

Moving to Slide 8, our efforts are being noticed and recognized globally. Our permanent magnets were presented and prominently referenced during the G7 meeting in Canada as a model for global cooperation on critical materials. In RESourceEU, one of the European strategic initiatives around rare earths was announced at our facility in Europe. In the grand scheme of things, this is just the beginning.

But before we get into the growth plans and opportunities for 2026, I'll turn it over to Jonathan to review the financials.

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

Thank you, Rahim, and good morning everyone.

As you can see on Slide 10, for the fourth quarter, Neo generated \$120.3 million in revenue and \$20.4 million in Adjusted EBITDA, reflecting solid execution across the business. For the full year 2025, Adjusted EBITDA reached \$75.6 million, exceeding our previously issued guidance range. This outperformance was driven by strong end market demand, a supportive pricing environment, improved product mix, and disciplined cost management across our global operations. Quarter-over-quarter performance reflected higher Magnequench volumes and improved rare earth pricing, partially offset by the absence of revenue from the divested Chinese separation facilities and lower hafnium prices in Rare Metals.

Our margin profile remained resilient, with Adjusted EBITDA margin expanding year-over-year. This reflects the benefits of operational efficiencies, improved mix, portfolio simplification, and continued use of pass-through pricing mechanisms in our customer contracts. While rare earth price movements can create short-term variability, our global platform and disciplined cost controls help manage volatility and support predictable performance.

Moving to Slide 11, I'll review performance by segment.

Magnequench delivered solid volume and revenue growth in the fourth quarter, reflecting continued demand across automotive and industrial applications, as well as improving rare earth pricing during the quarter. For the full year, Magnequench generated \$204.6 million in revenue, up 16 percent, with volumes increasing approximately 20 percent year-over-year.

Full-year Adjusted EBITDA was \$28.4 million, up 11 percent compared to the prior year, supported by higher volumes, improved pricing, and continued operational discipline. While operating margin in the

quarter reflected the impact of pre-operational expenses associated with the European Permanent Magnet Facility, underlying demand trends remained constructive. The segment continues to benefit from exposure to structural growth drivers, including electrification, automation, AI infrastructure, and energy-efficient applications.

As you can see on Slide 12, the Chemicals & Oxide segment delivered improved profitability in the fourth quarter, reflecting the benefits of portfolio simplification and operational execution. For Q4, the segment generated revenue of \$29.3 million and operating income of \$5.3 million, compared to the near breakeven operating results in the prior year period. The year-over-year improvement primarily reflects strong volume growth and cost reductions in the new emission catalyst facility, the divestiture of the lower margin Chinese separation assets earlier in the year, and a more favourable rare earth pricing environment.

For the full year 2025, Adjusted EBITDA reached \$23.4 million, up significantly compared to the prior year. The business is now more focused on higher-value specialty materials, including emission catalysts and water treatment products, with a more stable cost structure and reduced earnings volatility.

Overall, the segment enters 2026 with a strong earnings base, improved cost profile, and greater strategic alignment with Neo's integrated platform.

Moving to Slide 13, Rare Metals continues to deliver solid performance with the segment generating fourth quarter revenue of \$39.7 million and full-year revenue of \$147.7 million. This performance reflects lower average hafnium pricing in 2025 compared to the elevated levels seen in 2024.

Full-year Adjusted EBITDA was \$43.2 million, down year-over-year as anticipated due to normalization of hafnium pricing conditions.

While hafnium prices moderated through the first three quarters of 2025, it's worth noting that during the fourth quarter hafnium prices broke out to new record highs, positioning the business favourably entering 2026. In addition, underlying demand remains constructive across aerospace, semiconductor, and industrial applications, supported by continued global investment in advanced manufacturing and high-performance materials.

Across all three businesses, our teams have demonstrated disciplined execution, maintaining operational stability in a dynamic market environment.

Turning to the balance sheet on Slide 14, Neo maintains a strong, well-structured financial position. We ended the year with \$38.4 million in cash and total debt of \$101.8 million, resulting in a net debt position of approximately \$63 million. The total available liquidity was approximately \$76 million, including available credit facilities and government grants.

Our working capital levels were strategically managed during the quarter, including a deliberate increase in inventory to support customer commitments and navigate pricing dynamics. Despite these investments, leverage remains prudent and consistent with our long-term capital framework.

We continue to balance investments and growth with shareholder returns. During 2025, we maintained our regular dividend while funding strategic capital expenditures, including the European Permanent Magnet Facility.

With 2025 Adjusted EBITDA of \$75.6 million, exceeding prior year guidance, and 2026 guidance established at \$75 million to \$80 million, we are entering the new year with a strong operating base and a continued focus on efficiency, capital discipline, and financial flexibility.

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, and turning to Slide 16, as we close out 2025, Neo enters the new year from a position of strength, strategically, operationally, and financially. Over the past year, we advanced key strategic initiatives, strengthened our platform, and delivered results that exceeded our commitments.

Looking forward to 2026, we see another great year of exciting accomplishments. We intend to commission the heavy rare earth separation line in Europe with production-ready material as precursor materials for magnet making. We intend to launch two to three customer programs for magnets in Europe, from PPAP to SOP, to growing volumes later in the year. We expect to announce additional wins for more magnets in Europe and continue to fill out the launch curves for the years ahead. We will begin engaging in the planning activities related to Phase 1b and the expansion of our European magnet facility from 2,000 tonnes to 5,000 tonnes.

We expect additional strategic projects to be announced, building upon and delivering robust, parallel, and global diverse supply chains in critical materials.

We expect to launch our first magnet assembly project, continuing down the value-add chain from bonded powders to magnets and soon-to-be assemblies.

And we expect continued growth in other areas of the business, like emission catalysts and water treatment.

Together, these developments reflect the practical execution of Neo's integrated model, combining separation, advanced material processing, and magnet manufacturing to support localized critical materials and supply chains.

As Slide 17 highlights, Neo remains directly aligned with the structural shifts underway in the global critical materials supply chains. We are operating at the intersection of three durable drivers, sustained demand growth from electrification, automation, AI, robotics, space, and clean energy applications; government policy and customer initiatives, accelerating supply chain diversification and localization; and Neo's established asset base, technical depth, and decades of operational execution in rare earth magnetism and specialty materials.

Together, these forces create a long-term opportunity set that aligns directly with our capabilities.

Our integrated platform enables us to serve customers across regions and technologies, from advanced permanent magnets to emission catalysts and specialty Rare Metals. These markets are supported by structural demand trends rather than short-term cycles, contributing to a more resilient growth profile.

And our teams continue executing complex initiatives across multiple jurisdictions with a strong focus on safety, operational discipline, and long-term value creation. I want to recognize them for their continued dedication.

Thank you for joining us today, and we will now open the call for questions.

## Q & A

### Operator

Thank you. Ladies and gentlemen, we will 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. If you wish to decline from the polling process, please press star followed by the two. And if you are using a speakerphone, please lift the handset before pressing any keys.

The first question comes from Daniel Harriman with Sidoti. Please go ahead.

### Daniel Harriman — Analyst, Sidoti

Hey, guys. Good morning. Congratulations on the great quarter and the great year and the progress ahead. I have two questions that I'll start with.

First, as we think about Magnequench, 16 percent annual growth in 2025 and above 20 percent year-over-year growth in the last two quarters, based on current demand trends, how sustainable do you think that growth is heading into 2026? And then could you just update us and remind us of what still needs to happen at Narva before we start to see a real meaningful production ramp there in 2026? Thanks so much.

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

Sure thing. Thanks, Daniel, for your questions on both accounts.

In terms of Magnequench growth rates, I don't know if you're referring to volume or profitability per se, but I think that these end markets are growing. These end markets are growing by high single digits, low double digit type opportunities here, so we do continue to see strength in those areas.

In particular, when we talk about Magnequench's bonded business, which is the largest portion of its business today prior to launching ring sintered magnets, we see the same trends of customers needing diversification. We are the only player outside of China who can provide bonded powders at this point in time. So I think that those trends of both end markets growing will remain strong, and I think that the need for diversification will remain strong. So we do continue to see good things for the Magnequench business in general, in terms of its core existing business.

In terms of the second part of your question about our launch of sintered magnets in Europe, the launch is going extremely well. The facility is getting more and more ready. The equipment is coming in—is already in, sorry. We've commissioned several programs, so we're in great shape.

As we said, we will launch two to three programs in 2026. You'll start seeing growing volumes throughout the year. We'll launch a number of other programs in 2027, and we'll continue to be launching programs into '28.

Every magnet is individually designed and engineered to match the motor that it's going into. It takes time to engineer and launch every one of them. This is not a question of if, it's just a question of

when in terms of the customer demand is there, the technology is there, but you just need to launch these responsibly.

These are our customers. They've been our customers for 20, 25 years. They have demanding requirements, and we intend to meet them all.

We are an automotive supplier. We understand the issues around safe launch and how to do things the right way and to build all the contingencies into every single launch path. That's why we approach our launches very cautiously, but very rigorously in our process.

I think we'll see more and more volumes. I mean, volumes will just start coming really at the end of 2026, and then we'll see more growth in '72, '28 and '29.

I think only good things will continue to happen on Magnequench on both sides.

**Daniel Harriman** — Analyst, Sidoti

Really appreciate it, Rahim. Thank you.

**Operator**

Thank you. The next question comes from Nicholas Boychuk with ATB Cormark Capital Markets. Please go ahead.

**Nicholas Boychuk** — Analyst, ATB Cormark Capital Markets

Thanks. Good morning, guys.

First, around the commentary in the MD&A about Phase 1b plans advancing, can you just kind of comment a little bit around any changes that you're seeing that are giving you confidence in that and just remind us what ultimately the plans are in terms of timing and what you would need to move ahead with that?

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

I think we've been talking about we'd always design this facility to be a 5,000 tonne facility; that was always our intent from the beginning, and we just wanted to lay out shareholders capital in a responsible way that would match the launch curves and the demand curves that we're seeing.

I think it's still going to be in the planning phase. We'll do some things with certain portions of the business and certain portions of the equipment to plan around that, but I think it is kind of—again, it falls into the category of when and not if, and we just want to make sure that we spend the majority of our capital aligned with where we see new programs launching.

The benefits of Phase 1b should be obvious in terms of the ramp curve and timing, because I talked a lot about that in Phase 1a that ramps are slower and you've got to manage these correctly. But when we're launching Phase 1b, frankly, we're launching and ramping based on the equipment that already exists in Phase 1a, so the ramp curves and timelines for Phase 1b are much faster. But in terms of the planning activities, I don't think that we see—we're not concerned about it from a technology perspective. We're not concerned about it from a customer perspective. We're not concerned about it from a commercial perspective. It's just about how do we lay this out to be most efficient and most thoughtful

to kind of have the right kind of transition between the two facilities coming together. They are in fact one facility, but nonetheless, the two portions of that facility coming together the right way.

So, again, I think we'll give more information later in the year, but for now I'd say it's a really coordinated process.

**Nicholas Boychuk** — Analyst, ATB Cormark Capital Markets

I appreciate that. But I guess the question was more so, if you're seeing anything in the industry, be it from customers or anything else that is pushing you to do that. Are you now having more confidence in making that decision?

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

Oh, absolutely. But I think that if I were to back that out in terms of kind of like when we designed this facility three years ago, I think that we've seen an absolute change in terms of those dynamics.

When we designed the facility, we talked primarily about wind farms and traction motors as being kind of customer-driven events and customer-driven technology that needed that diversification. I think over the last six months, we've seen customers from every industry and every end market application looking for urgent solutions.

I think we were confident in our business planning model then. I think we're extremely confident in customers. They are absolutely asking us in terms of things like the Bosch MOU that we talked about, it does contemplate volumes that are going far enough out that they would be using the volumes in Phase

1b. So there's absolutely a trend that customers are looking for the capacity, they're looking for the assurance, and they're looking for the reliability of Neo to deliver.

**Nicholas Boychuk** — Analyst, ATB Cormark Capital Markets

Okay.

Moving to the bonded side, can you just kind of run us through a little bit, especially given the colour around the number of magnets you're selling at the (inaudible) centres, the capacity that you have to continue to produce bonded magnets as well as the powders?

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

On the powder side, I would say we have plenty of capacity. We have 8,000 tonnes of capacity on the bonded side between the couple of facilities that we have.

In terms of magnet capacity, you'll remember when we kind of started this business, we purchased a very small business—what was it? Five, maybe six years ago now? And they were doing 30 tonnes to 50 tonnes a year when we bought them, and we're doing over 1,000 tonnes of magnets today. So that gives you a sense of when we put an accelerator onto this, how we were growing with it and how we would kind of anticipate continuing to see us being able to capture more margin, more value-add in our end goals. So, capacity, we add capacity incrementally every month or every quarter as needed.

A lot of the bricks and mortar are there for a good portion of our continued build, but we do need to add more equipment as we go, but we can do that quite easily. And again, we just time it with where we see demand. And frankly, it's been a regular thing.

This type of equipment that we're adding for bonded magnets is not hugely expensive, so it actually will just blend into our CAPEX normally.

I think when we've talked about our CAPEX normally, we've said it's kind of \$4 million to \$6 million in kind of the sustaining capital and another \$4 million to \$5 million in what we would call kind of normal growth CAPEX. I think it falls into that normal growth CAPEX category.

**Nicholas Boychuk** — Analyst, ATB Cormark Capital Markets

Okay, understood.

Then last for me on C&O, it seems like NAMCO is now really starting to ramp. Can you just remind us again on the capacity that you have there? How much incremental material could you be producing from NAMCO, and what are you seeing from your automotive customers there? Are they now—given demand for ICE engines—now willing to contract with you a little bit more, pay a higher price. What are the metrics like coming out of that facility?

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

Well, I'd always love to ask customers to pay a higher price, but I think that the market remains competitive. I think what's happened here over the last two years for Neo is two to three things, right?

One is customers were concerned about launching business with us while we were relocating a facility. So that issue is now behind us, and we will be launching a couple of more programs this year with our customers.

Two, more and more customers have come to visit the facility and see the facility, and they see the state-of-the-art quality metrics and analytics that are built into the line. So I think that they're, frankly, very impressed in terms of how all of those lines all work together, how we control the data, and how we can make changes to our process instantly. So that's been a huge plus in terms of customers' perception.

And then, of course, our conversion costs are down, and we talked about that, right?

The combination of those three things and the fact that we didn't lose any customers, we didn't let any customers down, we didn't miss any shipments during the relocation, I think are all three really important factors, or four important factors. They're going to see us have continued confidence with our customers to grow forward.

**Nicholas Boychuk** — Analyst, ATB Cormark Capital Markets

Excellent. Thanks, Rahim. Appreciate it.

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

Thank you.

**Operator**

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

**Ian Gillies** — Analyst, Stifel

Morning everyone.

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

Morning, Ian.

**Ian Gillies** — Analyst, Stifel

I wanted to start on the guidance for 2026. It's obviously you've guided to a pretty strong year, but given where commodity prices are, should we be thinking about the way you said it is, you expect the first quarter and likely the second quarter are going to be pretty robust, but given the volatility in commodity prices, maybe a bit more normalized back half of the year?

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

Yes and no. I don't know that we see so much as first half and back half being massive changes in that environment. I think you're right. It takes time to work through the inventory, and when prices have moved dramatically you have the opportunity to see more margins because as we're moving inventory through, that's more likely a first half impact.

But I think when you take a step back, we sold the two Chinese separators in Q1 2025, and our goal to sell the two Chinese separators was to get rid of the vast majority of our commodity price risk in

the rare earth separation business. So, the fact that NDPR prices have doubled, let's say in the last eight months or so, it's not as impactful as it was in '21 and 2022 when we were getting a lot more commodity type profitability, right? And that led to the high profits in kind of '21/22 and the very low profits in '23. You'll remember in '23, I guess it was about \$37 million of EBITDA, and now we're at \$75 million. So we've doubled, effectively, from the 37, but as we've said, the 37 was never the right benchmark because of the impact of commodity prices.

So, we have strategically always wanted to move out value-add, and Magnequench is all value-add. Everything is on pass-throughs. When prices change, yes, there's an inventory impact, but it's relatively small. The largest portion of the commodity price movement was always in the separation business. We sold the two separation businesses to improve return on capital and simplify the business and move away from that commodity price and get more of the value-add.

Our European separation business absolutely will still have some benefits of the commodity price impact in 2026 here, but not to the same degree that we have seen commodity price impacts going forward.

I think on the other side, which is on the Rare Metals side, you've heard us talk about how hafnium prices have moved. Normally when we would do a forecast, we'd generally take the position that we don't forecast commodity prices and therefore we assume kind of hafnium prices where they are. But frankly, in this environment, we've been a little bit more conservative. You're absolutely right in that assessment. Because hafnium prices are at record levels and have been record levels here over the last four or five months, we just need to see customers buying at the same volume levels that they have been in the past.

I think we have been a little bit conservative with respect to thinking that element of it through, just because at these high prices we're just watching to see how our customers behave in terms of securing more long-term contracts or securing more spot businesses. Everyone's kind of seen these hafnium prices as really quite high. So if they remain quite high, then we'll absolutely have the benefit of that because we have most—we have probably all of the inventory already to satisfy our 2026 demand. So no matter what, we're going to do extremely well in that business; it'll just modulate on how many customers are issuing POs at what price point.

**Ian Gillies** — Analyst, Stifel

Okay, that's helpful. You actually lead into my next question nicely.

Can you talk a little bit about the inventory build in the fourth quarter? Is it planned? Does that have to do with Estonia? I'm just a bit curious there because the cash conversion was a little weaker than we would have thought.

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

You're absolutely right, Ian. I always encourage people to go look at the promises that we've made publicly on all of our various calls, and the one promise of the—whatever, 12, 15 promises we've made over the last two years, the one promise that we're going to miss here is our inventory levels. We did say that we would reduce our inventory levels in 2025 and in fact they've increased dramatically and further increased in Q4. It's a combination of things.

One is customers are requiring more inventory to be available throughout the system, just given the geopolitical dynamics.

Two is the costing. Rare earth prices are, as I said, double where they were six to nine months ago.

And the third of it is we are holding more hafnium in the system generally with kind of seeing where prices are. I think that puts us in actually really good stead generally.

And then lastly, we're holding a lot of inventory at MQPM as we are at our European sintered facility as we're kind of preparing for launch and running more and more products and more and more trials. So there is a lot of inventory in the system right now, both in terms of volume and in terms of price.

I think over time, at least some of those prices will normalize. But even if they don't, I think we'll get volume levels back to more reasonable levels. But right now, geopolitical uncertainty, launch and other elements to it just have us holding more inventory than normal.

As it turns out, we're going to benefit from that because rare earth prices have been rising, but that would not be our goal in life.

**Ian Gillies** — Analyst, Stifel

Understood.

The last one I wanted to touch on was the startup costs at Estonia. You were, I think, roughly \$10.5 million this year, \$16 million the year before. I'm just curious how much longer you think you're incurring

those startup costs for. Then, as you move into Phase 2, should we expect a lower quantum of startup costs, just given you already have such a large—you already have a large facility in place?

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

Absolutely. I think the startup costs will continue for a couple of years still until we get the facility at kind of a reasonable volume level. But even in that universe of what you'll see when we call the facility to be a reasonable volume level, it will ostensibly be staffed—from an engineering, quality, back office, leadership level it'll be staffed for the 5,000 tonnes already. That is the plan in terms of staffing. So that is how we are building the facility. That's how we are building the engineering group and the development group and the quality group, particularly because, when you're launching, it's four times the amount of workload on some of those groups, including the quality group. So, we are continuing to hire. We're continuing to staff up. What you'll see in the first two or three years here is staffing that's equivalent to 5,000 tonnes, ostensibly, outside of direct labour.

Now, our efficiencies and our yield rates have a journey to go on, but we're filling out the team for what we would perceive to be kind of the longer term growth in the facility for the next one, two, three years, so that we're prepared for that.

So, as I said, ramps, ramp curves will be faster once you're beyond the first kind of two years, and the addition of kind of overall costs will be much lower because those costs are already being burdened today.

**Ian Gillies** — Analyst, Stifel

Okay. That's helpful. I'll sneak in one last one.

With respect to these minimum price floor contracts we've seen, we've obviously now seen two happen in the U.S., there's been one in Japan. Have you had any initial inquiries or any initial discussions that would lead you to believe that you may be in position to obtain one of these contracts or at least be in discussions to get them at this juncture?

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

A couple of dynamics attached to that. So one is the majority of the floor price contracts and the like are going to mining companies to encourage them to make mining economically efficient.

For Neo, the NDPR and the rare earths themselves are all on pass-through with the customers, so they don't directly affect us in that way. What they do do is they provide confidence and certainty to customers in terms of feedstock and in terms of planning and a number of different elements in that universe.

It challenges competitiveness in terms of customer dynamics and their alternatives to continue to buy from China, but I think the customers are over that and they will have a certain amount of their portfolio outside of China.

So I think that in those senses, it's a good thing to ensure that we get the feedstock into the system and available and it raise customers' confidence. As I said, it'll challenge overall demand, but we're such a small portion of overall demand that any amount of diversification will be supported, so we don't worry about that too much from that perspective.

From our separation business perspective, given it is part of the value chain of a mining company to be able to get oxides to market, it is absolutely supportive to our separation business, but I don't know that that means that we see it in the form of a floor price contract. What we see it in is economics for separation get better over time.

**Ian Gillies** — Analyst, Stifel

Understood. Thanks very much. I'll turn the call back over.

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

Thanks, Ian.

**Operator**

Thank you. The next question comes from Max Yerrill at BMO Capital Markets. Please go ahead.

**Max Yerrill** — Analyst, BMO Capital Markets

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

When we look at the 2026 guidance, that implied growth versus the 2025 EBITDA. Could you provide a little bit more colour on where that's coming from? Is that started by the sintered business, the growth at NAMCO, and then maybe how much is driven by price increase versus volume growth?

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

Great questions, Max, on all the different elements there.

It's not coming from the sintered business in that the sintered business will still be ramping up and we'll still have kind of large startup losses from that sintered business in '26.

Where it's coming from is, you know, continued growth and continued cost improvements in all of the other businesses including the hafnium business, including the catalyst business and the like. So, I think it'll be reasonably well distributed. We're seeing, as I said, more volumes across the board and we're seeing better cost conversions across the board.

The growth rate from '25 to '26 is probably not maybe what people would have hoped for, but we did get some commodity price increase in '25 results that we're not counting on in 2026 results. But as I said, if commodity prices particularly happen and hold even reasonably close to where they are, I think we're going to see more growth than that.

So I would say it's across the board in terms of strength of all areas of the business and the real kicker is when the sintered business comes online, and when it does, that'll actually hypercharge a number of different growth dimensions. But we need to give it a little bit of time here to get it seasoned and spiced and ready to go.

**Max Yerrill** — Analyst, BMO Capital Markets

Got it. That makes sense. Then one more from me.

On the Magnequench volumes, the bonded volumes, I was curious if you had a sense of how much of that growth is from growing end market demand versus potentially your consumers and customers stockpiling material.

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

That's an excellent observation. I got to say it's a bit of both. I don't know if I can give you like an exact metric of what that means. I think that the growth outstripped our expectations, so I do think that some of that is customers being thoughtful about what their supply chains look like and how are they managing that.

Having said that, I'm not sure that the entire supply chain through the end customer has even yet realized what is to come and where their purchasing patterns exist.

I think on the sintered side of the business and on traction motors and those types of things, I think customers are infinitely aware of where their purchasing is and have absolutely executed strategies on how to get more geographically diverse purchasing.

On the bonded side of the business, I'm not sure that we have seen—we have seen customers increase their orders and the like. Whether it's end market demand, whether it is building inventory, it's probably both. but the next stage of diversification of supply chain I think is just more opportunity.

**Max Yerrill** — Analyst, BMO Capital Markets

Got it. That's helpful. I'll just squeak in one more.

When you start to look at that magnet assembly and moving a little bit more downstream, any colour you can provide on how that might improve the margins from the Magnequench segment?

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

I think it's early days. We have what we call a couple of lighthouse projects, which essentially say two, three, four projects that we're working on today to be able to do that. They improve margins because, frankly, when you're making the magnet itself, it's a very high material cost component to it and we don't really mark up material costs since it's on pass-through, so the only markup on material costs is really yield management.

When you get into more value-add of the assemblies and those types of things, there's more conversion costs and there's more margins available. But to give you specifics on how those margins will compare and how impactful they'll be to Magnequench, we're probably a little ways away from that yet. But if we look at the magnet business, I think it's a good example of how they've been very accretive to Magnequench volumes and Magnequench margins overall.

**Max Yerrill** — Analyst, BMO Capital Markets

Great. Thanks, Rahim. I'll turn it back to the queue.

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

Super. Thanks, Max.

**Operator**

Thank you. The next question comes from Marvin Wolff with Paradigm Capital. Please go ahead.

**Marvin Wolff** — Analyst, Paradigm Capital

Good morning, guys, and congratulations on a very good quarter and a very good year and a great outlook for 2026.

I had a quick question just on labour. How are you finding the labour situation in Estonia for ramping up the Narva facility? Is it one where the labour is pretty tight or is it hard to find qualified people? How much training do they take, etc.?

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

Yes to all of that. In terms of skilled labor in Estonia, I think we're in great shape. I think Estonia is underrated in terms of the quality of education, the quality of talent, and where we are with other changes in, let's say the energy industry generally in the region of Estonia means that there's lots of qualified and high-quality people available as Estonia is going through its own energy transition to clean energy. Some of that means changes to some of their existing energy profile closer to where we are in Estonia. So, there's been lots of talent that we've been able to get in touch with.

We have very close connections with the universities in Estonia. And given the size of Estonia—I mean everybody says they have close connections to universities, but given the size of Estonia, close connections mean something different. Like, our involvement of designing programs, of getting involved, of telling folks that, you know, here's the future of jobs available, and how quickly they're reacting to

changing programs to match those types of dynamics. I think we have an office that actually sits in the university, in TalTech University there as well. So, in those dynamics, it's really strong.

But we also are bringing in people from kind of around the world. Estonia is Europe and people are happy to come to Europe, so there's been transfers from people from various different regions of the world. So, it is a really multinational group over there that's a very tight-knit group and doing quite well.

**Marvin Wolff** — Analyst, Paradigm Capital

Okay, that sounds great. Thanks for covering that all.

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

Wonderful. Thanks, Marv.

**Operator**

Thank you. We have no further questions. I will turn the call back over for closing comments.

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

Again, I want to thank everyone for their time today and the great questions from everyone. I think we had a tremendous year in 2025, and I think we're going to see more and more exciting things to come for 2026.

Thank you all, and have a wonderful day. Thanks, Joanna.

**Operator**

Thank you. Ladies and gentlemen, this concludes our conference call for today. We thank you for participating, and we ask that you please disconnect your lines.