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EQUITY RESEARCH · STOCK PITCH UPDATE
November 7, 2026 · Materials · Rare Earths & Magnets
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NEO Performance Materials Inc. (TSX: NEO)

BUY Target C$47.84 · Upside +92%

Europe's magnet maker, priced like a processor

NEO processes rare earths and rare metals in Canada, Estonia, China and Thailand, and in September 2026 began commercial production at Narva, the first sintered rare earth magnet plant in Europe. Our 2027–28 EBITDA is in line with consensus, yet NEO trades at 6.6x our 2027E EBITDA against 14x for specialty-metals peers after a 47% fall with its sector.

INVESTMENT THESIS

I. Narva is the growth engine. Bosch has reserved capacity under a multi-year MOU and three tier-1 motor makers have awarded programs. We ramp Narva to 4,750 t by 2031, 95% of the 5,000 t Phase 1A+1B nameplate, at US$75/kg and a 17% run-rate margin. Phase 1B is costed off what Phase 1A actually cost (€100M for 2,000 t): about €150M for +3,000 t, or C$161M after the EU grant, spent 2027–29. Phase 2 is unfunded, so it sits in the bull case only.

II. Rare Metals pays for the build. Hafnium rose from US$3,500 to US$13,500/kg in the year to July 2026 and volumes are contracted into 2027. Hafnium has no forward curve, so we hold today's price flat, which puts our 2027–28 EBITDA in line with consensus. Margin still steps from 38% to 28% by 2029 as scrap feedstock costs catch up with prices.

III. An integrated Western supply chain. The EU named Silmet a Critical Raw Materials Act strategic project and awarded €126M from the Innovation Fund in October 2026. Feedstock deals with Rainbow and Carester and the US$35M Sarfartoq sale give NEO oxide-to-magnet control few Western peers have.

WHY THE OPPORTUNITY EXISTS

The market still prices NEO as a commodity processor exposed to hafnium, not as Europe's magnet supplier. At C$24.90 it trades at 6.8x our 2026E and 6.6x our 2027E reported EBITDA, against a 14.0x average for Dowa, JX and Materion. The gap is the multiple, not the earnings, and the catalysts that close it are Narva qualifying programs, Phase 1B built on budget and Rare Metals holding through the 2027 contracts.

VALUATION

Target C$47.84: 50% DCF (C$39.29) and 50% comps (C$56.40, the 14.5x specialty-metals median on 2027E EBITDA). The ten-year DCF (2026–35) lets Narva reach steady state before the exit year, uses a 10.9% WACC on NEO's 3-year beta (1.67) and exits at 14.0x 2035E EBITDA, a sum of the parts with each segment at specialty-metals peers (Umicore excluded). Stock comp is treated as a real cost.

KEY RISKS

- **Hafnium.** China eases export controls and prices fall below 2025; with Narva late and over budget this is our C$11.89 bear case.
- **Magnet execution.** Auto qualification slips a year and Narva stalls at 3,800 t with deep start-up losses.
- **Chinese pricing.** Chinese magnets undercut Narva to US$58–62/kg.
- **Build cost.** Phase 1B runs 25% over budget; the EU grant covers about 31.5%.

KEY DATA

Price (FactSet, 7-Nov-2026)	C$24.90
Target (50% DCF / 50% comps)	C$47.84
52-week range	C$15.31 – 47.19
Diluted shares / market cap	46.2M / C$1.15B
Net debt (30-Jun-2026)	C$93M
EV / 2026E / 2027E EBITDA	6.8x / 6.6x
2026 EBITDA guidance	US$140–150M
Dividend	C$0.40 (1.6%)
Street mean target (6 Buys)	C$56.85

SCENARIOS (DCF VALUE PER SHARE)

Bear	Base	Bull
$12	$39	$63
−52%	+58%	+152%

Bear: hafnium below 2025, Narva late at 3,800 t, US$58–62/kg, Phase 1B over budget. **Bull:** contracts reprice higher, Phase 2 to 10,000 t.

WHAT MOVES THE VALUE



DCF value when one input moves and everything else is held at base. Purple: downside; navy: upside.

CATALYSTS

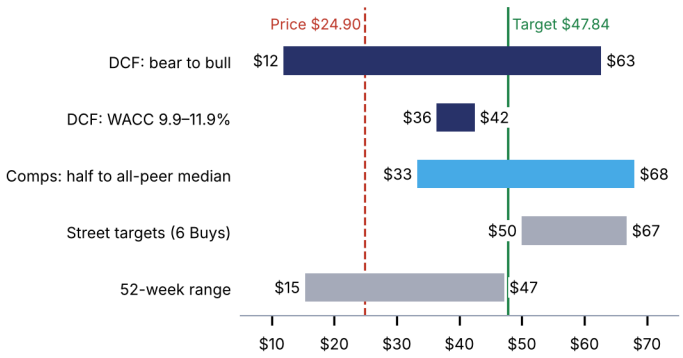
- **Nov 10:** Q3 results; H2 Rare Metals and inventory.
- **End-2026:** 2–3 magnet programs in production.
- **Mar 2027:** EU grant signing; Phase 1B build starts.

FINANCIAL SUMMARY (C$M, DECEMBER YEAR-END)

	2025A	2026E	2027E	2028E
Revenue	669	931	1,058	1,205
Rare Metals adj. EBITDA	60	156	147	137
Narva magnet volume (t)	–	300	1,100	2,200
Adj. EBITDA	**106**	**206**	**206**	**216**
Consensus adj. EBITDA		*226*	*203*	*207*
Reported EBITDA (DCF basis)	65	179	184	195
EV / reported EBITDA at C$24.90	18.7x	6.8x	6.6x	6.2x

Segment EBITDA reported in US$ converted at the implied CAD/USD. Source: FactSet, NEO filings, The Fund estimates.

VALUATION SUMMARY (C$ PER SHARE)



Sources: NEO FY2025 and Q2 2026 results; company releases on Narva, Rainbow, Carester, Sarfartoq, EU CRMA and the €126M Innovation Fund (Aug–Oct 2026); Metal Tech News and Invest in Estonia (Narva cost and capacity); FactSet (statements, price, consensus, targets, comps, as of Nov 7, 2026); Trading Economics (GoC 10-year); The Fund estimates. Update of The Fund's November 2024 NEO pitch. Student research prepared for The Fund, Memorial University's student-managed investment fund; not investment advice.