MEMORIAL UNIVERSITY

# THE FUND

Real Money. Real Experience.




neo Performance Materials

**Buy: NEO Performance Materials Inc. – TSX: NEO**

**Price Target: C$47.84 (92.1% upside)**

**Current Price: C$24.90 (as of Nov. 7)**

**Date: November 7, 2026**

**Nangyal Rehman**

***Sector Manager***

# Agenda

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01 **Company Overview** 4
Three businesses, the Narva magnet plant and why now

02 **Industry Outlook** 8
A China bottleneck, Europe paying to build outside it

03 **Investment Thesis** 11
Narva, Rare Metals cash, an integrated Western chain

04 **Catalysts** 17
Dated milestones through 2027

05 **Risks** 18
What could go wrong and what it costs per share

06 **Valuation** 19
Comps, 10-year DCF, sum-of-the-parts exit, scenarios

# Executive Summary

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## Corporate Profile & Valuation Highlights

**Company:** Rare earth and rare metals processor with three segments (Magnequench, Chemicals & Oxides, Rare Metals) and Europe's first sintered magnet plant at Narva, Estonia.

**Macro:** China makes ~90% of rare earth magnets and has tightened export licensing; Western hafnium rose from US$3,500 to US$13,500/kg and the EU is paying for non-Chinese supply.

**Thesis I:** Narva is funded, contracted and ramping: 300t (2026) to 4,750t (2031).

**Thesis II:** Rare Metals pays for the build: US$44M of Q2-2026's US$57M EBITDA.

**Thesis III:** an integrated oxide-to-magnet chain, priced at 6.6x 2027E EBITDA vs 14.0x for peers.

**Valuation:** C$47.84 target, 50% DCF (C$39.29) and 50% comps (C$56.40); bear C$11.89 to bull C$62.70.

| Capital Structure | |
|---|---|
| Ticker | TSX: NEO |
| Last price (7-Nov-2026) | C$24.90 |
| 52-week range | C$15.31–47.19 |
| Diluted shares (M) | 46.2 |
| Diluted market cap (C$M) | 1,150 |
| Cash (C$M, 30-Jun-2026) | 137 |
| Total debt (C$M) | 230 |
| **Enterprise value (C$M)** | **1,220** |
| Dividend / yield | C$0.40 / 1.6% |
| Insider ownership | ~2% (CEO 1.2%) |

**BUY | Target C$47.84 | +92%**

vs C$24.90 close; +94% total return with the dividend



Source: FactSet (price, capitalization, ownership, 7-Nov-2026); NEO Q2-2026 results (6-Aug-2026); The Fund model.

# Company Overview

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## Operational Overview

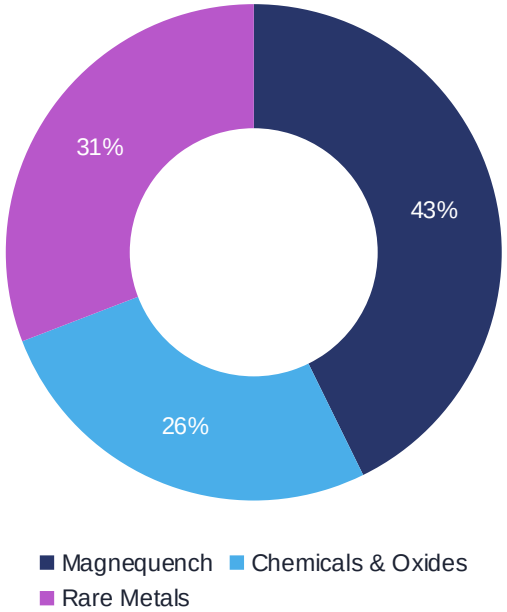
**Who:** Toronto-headquartered processor of rare earths and rare metals, with plants in Europe and Asia.

**Three segments:** Magnequench (magnet powders, now sintered magnets), Chemicals & Oxides (rare earth separation, catalysts) and Rare Metals (hafnium, gallium, tantalum, much of it from scrap).

**Customers:** auto and industrial motors, clean energy, electronics and aerospace.

**Since our 2024 pitch:** sold the China separation business (Mar-25), opened Narva (Sep-25), raised C$115M (May-26) and won a €126M EU grant (Oct-26).

2025A revenue by segment (C$669M)




| C$669M | C$106M | C$833M | US$93M |
|---|---|---|---|
| 2025A revenue | 2025A adj. EBITDA | LTM revenue (Jun-26) | H1-2026 adj. EBITDA |



Source: NEO FY2025 and Q2-2026 results; FactSet segments (7-Nov-2026). US$ figures converted at 1.397 CAD/USD where shown in C$.

# Company Overview

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## Operational Overview: Segments & Footprint

### Magnequench
**Growth engine**

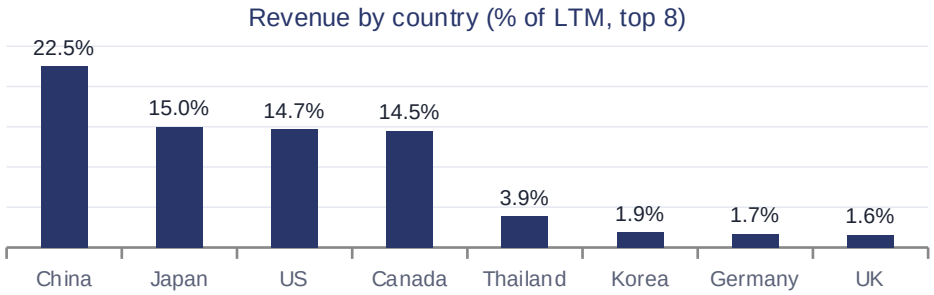
- Bonded powders and magnets; 10,000t magnet capacity (Narva, Singapore, Thailand, UK, China)
- Narva (Estonia): Europe's first sintered magnet plant, commercial since Sep-2026
- 2025A: revenue C$286M; adj. EBITDA C$40M

### Chemicals & Oxides
**Steady cash flow**

- Silmet (Estonia): rare earth separation; EU CRMA strategic project
- Zibo (China): environmental catalysts
- 2025A: revenue C$177M; adj. EBITDA C$33M

### Rare Metals
**Funds the build**

- Hafnium, gallium, tantalum, niobium; much of it recycled from scrap
- Volumes contracted into 2027 (Q2-26 release)
- 2025A: revenue C$206M; adj. EBITDA C$60M




## Leadership



**Rahim Suleman**
President & CEO



**Jonathan Baksh**
EVP & CFO

EL

**Edgar Lee**
Independent chair

GK

**Greg Kroll**
Head, Magnequench

ME

**Mohamad El-Mahmoud**
Head, C&O and Rare Metals



Source: FactSet (segments, geographic revenue, management and board, 7-Nov-2026); NEO FY2025 and Q2-2026 results.

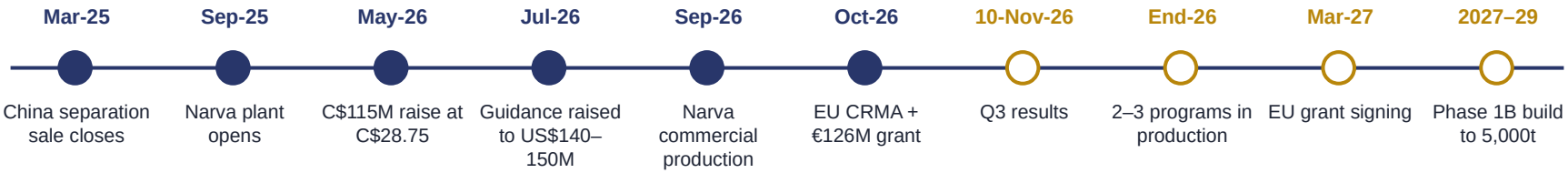
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## From Processor to Europe's Magnet Maker

**Delivered since the November 2024 pitch**

**Next 15 months: the catalysts that re-rate it**




**+209%**
share price since our Nov-2024 pitch (C$8.06 → C$24.90)

**US$140–150M**
2026 adj. EBITDA guidance, raised Jul-2026

**€126M + C$115M**
EU grant and equity secured in 2026

**Why the stock is where it is:** C$47.19 at the August high, C$24.90 today. The fall came with the whole group as hafnium and rare earth prices cooled; NEO beat Q2 and raised guidance on the way down.

**What the market has not paid for:** programs in production, Phase 1B on budget and Rare Metals holding through the 2027 contracts. Each is dated and public.

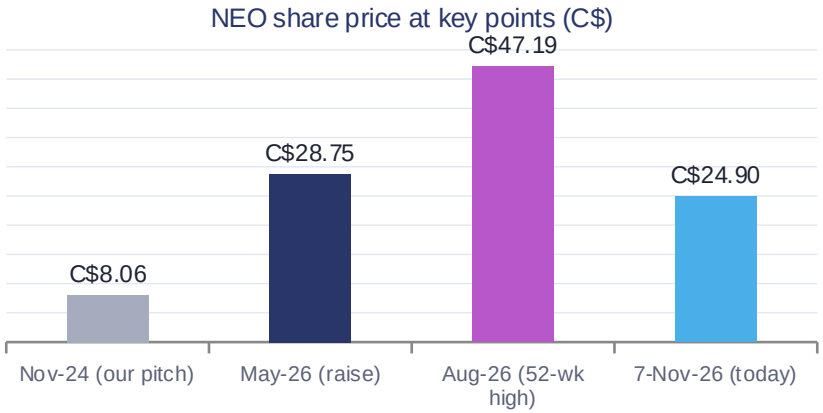


Source: NEO news releases 2025–2026; FactSet price and event calendar (7-Nov-2026).

# Company Overview

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## Share Price Performance




| vs 52-wk high | JX | MP | NEO | LYC | MTRN | Dowa | UMI |
|---|---|---|---|---|---|---|---|
| **Drawdown** | -57% | -53% | **-47%** | -46% | -43% | -39% | -33% |

**Fell with the group:** every Western rare earth and specialty-metals name is 33–57% off its high. NEO beat Q2 and raised guidance on the way down.

**A** **Mar-2025: China separation sale closes**
NEO exits Chinese separation and refocuses on Europe.

**B** **May-2026: C$115M bought deal at C$28.75**
Funds Narva and the Rare Metals inventory build.

**C** **Jul–Aug 2026: guidance raised, stock peaks**
Guidance to US$140–150M; high of C$47.19 on 11-Aug.

**D** **Sep–Oct 2026: Narva and the EU deliver**
Commercial production, CRMA strategic project, €126M grant.

**E** **Today: C$24.90**
47% below the high as hafnium and rare earth prices cooled from mid-2026 peaks.

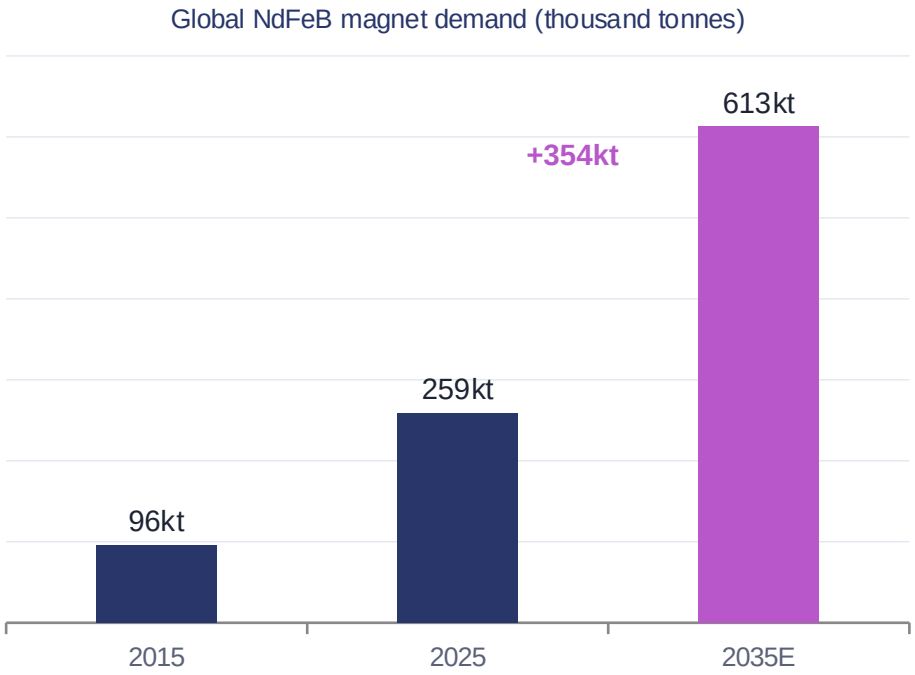


Source: FactSet (prices, performance screen, event calendar, 7-Nov-2026); NEO news releases 2025–2026.

# Industry Outlook

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## 93% of Sintered Magnets Made in China; Demand 2.4x by 2035




**Export controls:** Chinese licensing on rare earths and dysprosium slows Chinese expansion in Europe and pushed Western hafnium, gallium and tantalum prices to records in 2026.

**Demand:** EVs and wind lead; new demand from humanoid robots (50t in 2025 to ~52,200t by 2035), drones and AI data centres.

**Hafnium:** US$3,500 to US$13,500/kg in the year to July 2026; no forward curve, so we hold today's price flat and let margins normalise.

**Who wins:** producers already inside Western supply chains with qualified product, which is where Narva sits.

**93%**
of sintered magnets are made in China

**2.4x**
global NdFeB demand, 2025 → 2035E



Source: Adamas Intelligence, Rare Earth Magnet Market Outlook to 2040 (Dec-2025), via NEO Q2-2026 results presentation (11-Aug-2026); Investing.com (hafnium).

# Industry Outlook

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## EU Policy: Critical Raw Materials Act and Funding

**€126M**
EU Innovation Fund grant to NEO's Estonian scale-up (Oct-2026)

**31.5%**
of eligible project cost covered; signing due 23-Mar-2027

**€19M**
Just Transition Fund grant toward Phase 1A (€100M build)

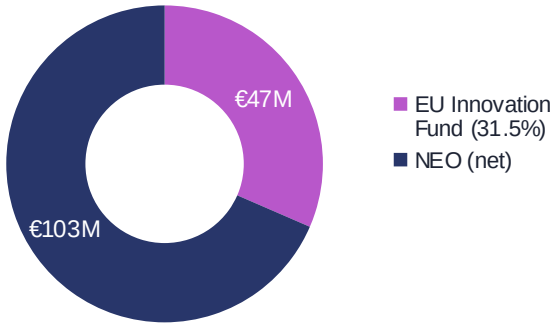
**40%**
CRMA 2030 benchmark for EU-based processing

**Strategic project status (Oct-2026):** Silmet 2.0 separation gets faster permitting and priority access to EU financing under the CRMA.

**Customers follow policy:** Bosch's multi-year MOU and three tier-1 motor awards are European OEMs buying for supply security, not only price.

**What we model:** only the grant tied to Narva Phase 1B (31.5% of €150M). Silmet 2.0 and metallisation, the rest of the €400M Estonian plan, are not in our base case until NEO commits to them.

Narva Phase 1B funding (€150M gross)






Source: European Commission (CRMA); SMM, Mining Weekly and Dealroom (Oct-2026); Invest in Estonia; NEO releases; The Fund model (Narva tab).

# Industry Outlook

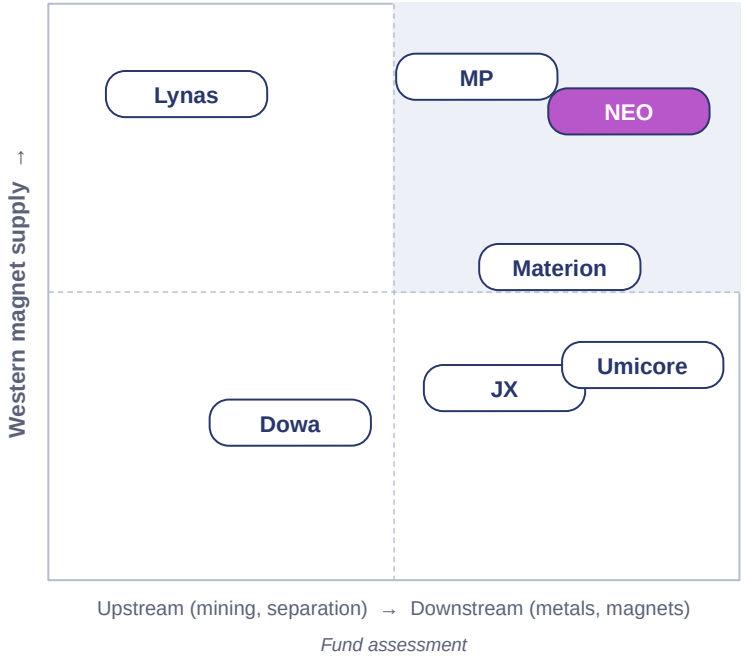
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## Industry Positioning

| Company | What it does | Magnets | EV/ EBITDA |
|---|---|---|---|
| NEO | Separation, rare metals, magnets | Narva (EU) | 9.4x |
| Lynas | Mining + separation (ex-China) | No | 30.0x |
| MP Materials | Mining + separation; magnets in build | In build (US) | 66.5x |
| JX Advanced Metals | Rare metals, sputtering targets | No | 14.5x |
| Materion | Specialty metals & alloys | No | 20.4x |
| Dowa | Metal recycling + smelting | No | 7.0x |
| Umicore | Recycling, catalysts, battery materials | No | 3.8x |

**Closest match today:** specialty metals and recycling, which is the multiple we use.

**Option on top:** a qualified European magnet plant that no peer in this group has.






Source: FactSet comps (LTM EV/EBITDA, 7-Nov-2026); company filings; The Fund assessment.

# Investment Thesis

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## Three Reasons to Own NEO

### I

### Narva Is Funded, Contracted and Ramping

300t (2026) → 4,750t (2031); Phase 1B C$161M net

### II

### Rare Metals Pays for the Build

Q2-26 Rare Metals EBITDA US$44M of US$57M

### III

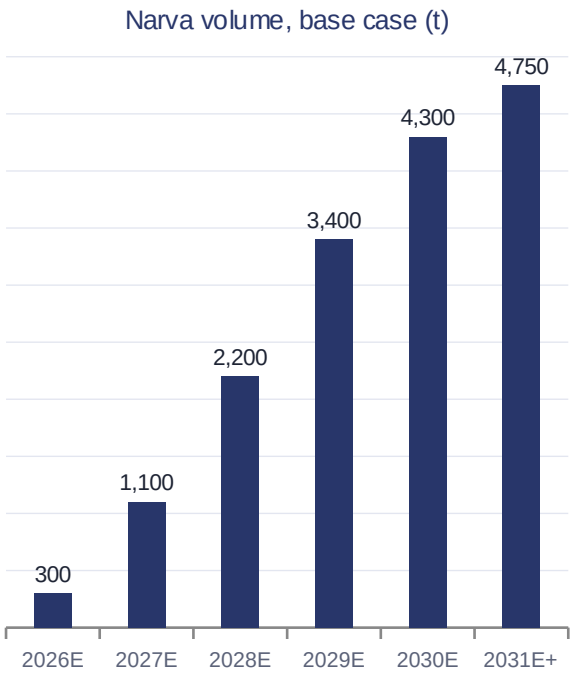
### Oxide-to-Magnet Control Few Peers Have

6.6x 2027E EBITDA vs 14.0x for peers

# Thesis I: Narva Is Funded and Ramping

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## Europe's First Sintered Magnet Plant, Contracted and Costed







Narva: built in under two years, on time and on budget



Phase 1A sintering line, 2,000t a year

| Phase 1B cost, bottom-up | |
|---|---|
| **Step** | **Value** |
| Phase 1A build cost (2,000t) | €100M |
| Cost per 1,000t | €50M |
| Phase 1B gross (+3,000t) | €150M |
| Less EU grant (31.5%) | (€47M) |
| **Phase 1B net (C$, at 1.57)** | **C$161M** |
| Spend 2027 / 28 / 29 | 30 / 40 / 30% |

**Customers:** Bosch MOU; awards from three tier-1 motor makers, incl. traction motors; 2–3 programs in production by end-2026.

**Economics:** US$75/kg; margin -9% in year one, 17% at run-rate.

**Roadmap:** 20,000t, about 10–15% of the magnet market outside China.

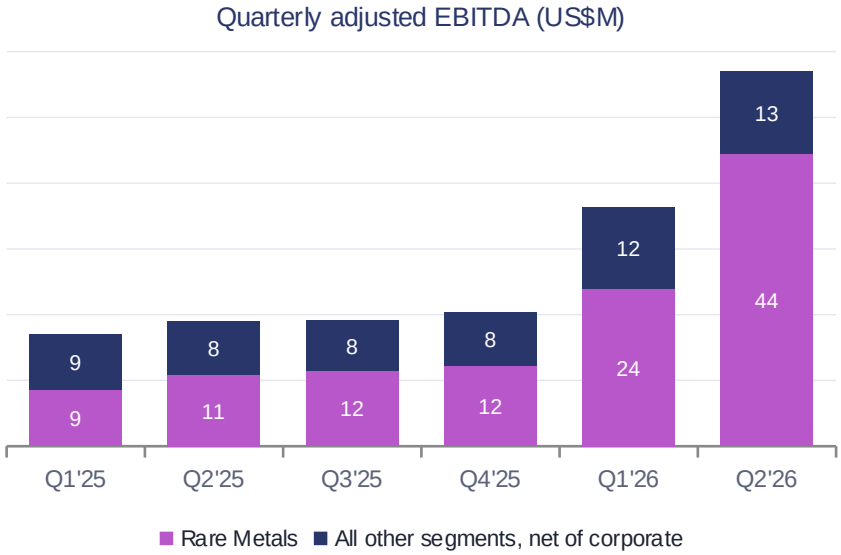


Source: NEO Q2-2026 results and presentation (photos, 11-Aug-2026); Metal Tech News (16-Sep-2026); Invest in Estonia (Oct-2026); The Fund model (Narva tab).

# Thesis II: Rare Metals Funds the Build

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## Record Hafnium Earnings, Contracted Into 2027




**US$3,500 → 13,500/kg**

hafnium, Jul-2025 to Jul-2026; Q2 was NEO's record quarter

| C$M | 2025A | 2026E | 2027E | 2028E | 2030E |
|---|---|---|---|---|---|
| Rare Metals adj. EBITDA | 60 | 156 | 147 | 137 | 130 |
| Margin | 29% | 38% | 34% | 31% | 28% |
| Price index (2025 = 100) | 100 | 190 | 190 | 190 | 190 |

**Volume, not just price:** Q2 volume up 55% (62t to 96t) into aerospace, gas turbines and semiconductors.

**Price held, margin normalises:** no forward curve, so we hold today's price; margin steps to 28% as scrap costs catch up.

**Cash:** inventory days fall from 230 to 165 as the 2027 contracts deliver.

**78%**
of Q2-2026 adj. EBITDA came from Rare Metals

**C$206M / C$216M**
2027E / 2028E adj. EBITDA, in line with consensus

**Into 2027**
Rare Metals volumes already contracted



Source: NEO quarterly results 2025–2026 (Q3/Q4 2025 derived from annual and H1 totals); Investing.com (hafnium); FactSet consensus; The Fund model.

# Thesis III: An Integrated Western Chain

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## Oxide-to-Magnet Control Few Peers Have

### Feedstock

- Rainbow Rare Earths (Phalaborwa) MOU, Sep-2026
- Sarfartoq sold for US$35M; offtake kept
- Carester partnership (France), Aug-2026

### Separation

- Silmet (Estonia): heavy rare earth line, 2026
- EU CRMA strategic project, Oct-2026

### Magnets

- Narva: commercial production Sep-2026
- Phase 1B to 5,000t; roadmap 20,000t

### Recycling

- Hafnium and gallium recovery outside China
- Lower input cost than primary supply

**Why it matters for value:** European OEMs buy for supply security and the EU funds it, which is why NEO should trade like a specialty-metals company (14x) rather than a commodity processor (~7x). We do not pay for Silmet 2.0, metallisation or Phase 2 in the base case.

| 4 of 4 | €126M | Bosch + 3 | 14x vs ~7x |
|---|---|---|---|
| steps from feedstock to magnet, plus recycling | EU Innovation Fund grant (Oct-2026) | tier-1 motor makers committed to Narva | specialty metals vs commodity processor |

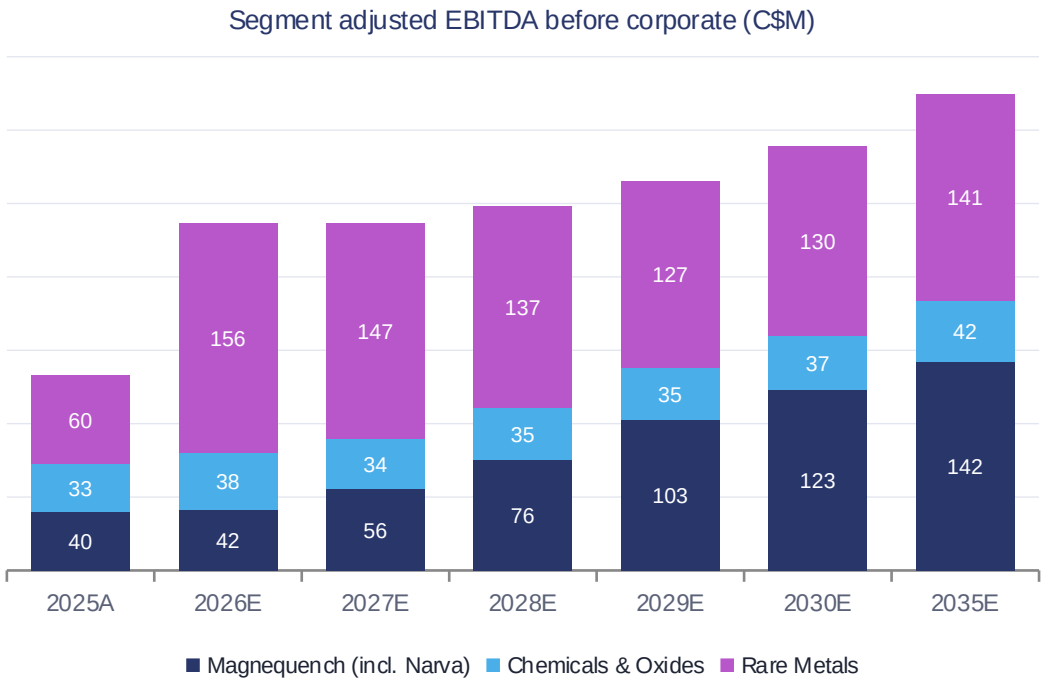


Source: NEO news releases Aug–Oct 2026; Invest in Estonia (€400M plan, Oct-2026).

# Financial Outlook

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## Our Numbers Match the Street; Hafnium Matters Less Each Year




| Adj. EBITDA, C$M | 2026E | 2027E | 2028E |
|---|---|---|---|
| The Fund | 206 | 206 | 216 |
| Consensus | 226 | 203 | 207 |
| vs Street | -9% | +1% | +5% |

**High end of guidance:** our 2026E US$147M; management guides to the top of US$140–150M (raised from US$100–110M).

**Narva fills:** Magnequench C$40M to C$137M by 2031.

**Rare Metals eases:** C$156M to ~C$130M as margins normalise.

**30% → 45%**

Magnequench share of segment EBITDA, 2025A → 2031E: less hafnium risk each year

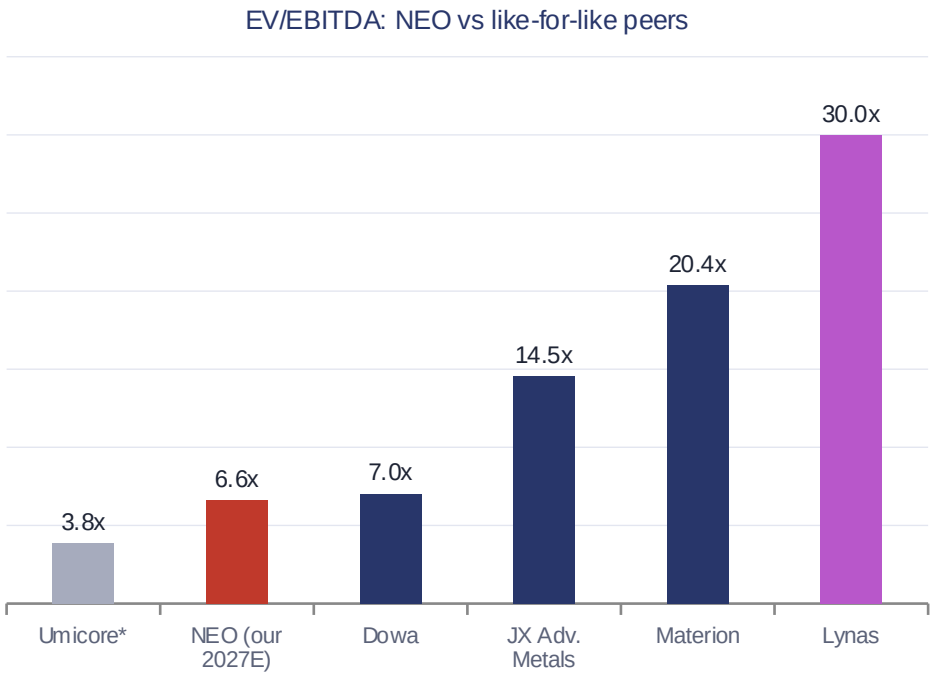


Source: NEO filings; FactSet consensus (Snapshot, 7-Nov-2026); The Fund model (Revenue Build).

# Why the Opportunity Exists

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## Same Earnings, Half the Multiple




**Same earnings:** our 2027–28 EBITDA is in line with consensus, so the gap is not about the numbers.

**Why it's cheap:** priced as a hafnium-exposed commodity processor, not as Europe's magnet supplier.

**What closes the gap:** programs in production, Phase 1B on budget, and Rare Metals holding through the 2027 contracts.

**At 14.5x our 2027E EBITDA:** NEO would be worth about C$56.40 (comps leg of our target).

**6.6x vs 14.5x**
NEO vs specialty-metals median, on 2027E EBITDA

**C$56.40**
value at the peer multiple (+126%)



Source: FactSet LTM EV/EBITDA (7-Nov-2026). *Umicore excluded from our multiples (battery-materials issues, precious-metal pass-through).

# Catalysts

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## Dated Catalysts Through 2027

**10-Nov-2026**
### Q3 2026 results
H2 Rare Metals run-rate and inventory unwind; consensus EPS C$0.56

**End-2026**
### Customer programs
2–3 magnet programs in commercial production

**23-Mar-2027**
### EU grant signing
€126M Innovation Fund agreement; Phase 1B build starts

**2027**
### Hafnium contracts
Volumes contracted into 2027; watch renewal terms

**End-2028**
### Phase 1A at full rate
Narva Phase 1A at 2,000t; Phase 1B commissioning

**Macro: export controls keep Western hafnium and magnet prices high**

**Policy: EU CRMA targets 40% EU processing by 2030**

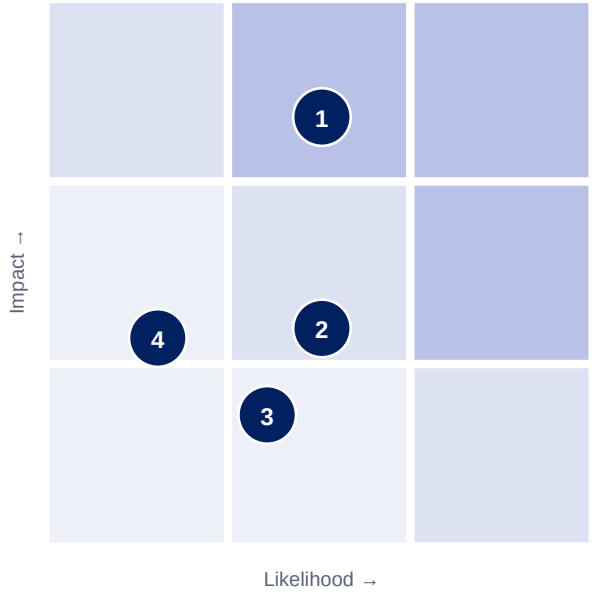


Source: NEO releases; FactSet event calendar (7-Nov-2026); SMM and Mining Weekly (Oct-2026); Metal Tech News (Sep-2026).

# Risks

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## Key Risks, Mitigants and Cost per Share




**1. Hafnium round-trip.** China eases export controls; prices back to 2025 levels and peak-cost inventory squeezes margins.
**Mitigant:** Volumes contracted into 2027; our base already steps margin down to 28%.
**Cost: -C$8.79/sh**

**2. Chinese magnet pricing.** Chinese magnets undercut Narva toward US$58–62/kg.
**Mitigant:** European OEMs buy for supply security; EU CRMA support.
**Cost: -C$2.01/sh at US$60**

**3. Narva execution.** Auto qualification slips a year; Phase 1B runs 25% over budget.
**Mitigant:** Phase 1A built on time and budget; grant covers 31.5%.
**Cost: -C$0.30 late / -C$0.64 overrun**

**4. Rates and multiple.** Higher rates or a lower sector multiple.
**Mitigant:** 14x exit is the peer average ex-Umicore; every WACC x exit cell is above C$24.90.
**Cost: WACC +1 pt: -C$2.90; exit -2x: -C$4.37**



Source: The Fund model (risk costs = change in DCF value per share, one input at a time, base case); NEO releases.

# Valuation

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## Comparative Valuation

| Company | Ticker | Mkt cap (C$M) | EV (C$M) | EV/EBITDA LTM | P/E FY2 | EBITDA mgn NTM |
|---|---|---|---|---|---|---|
| Dowa Holdings | 5714-JP | 3,911 | 5,273 | 7.0x | 7.1x | 10% |
| JX Advanced Metals | 5016-JP | 20,571 | 20,115 | 14.5x | 11.4x | 29% |
| Materion | MTRN-US | 5,637 | 6,260 | 20.4x | 21.9x | 12% |
| Umicore (excluded) | UMI-BE | 6,993 | 8,732 | 3.8x | 10.1x | 27% |
| Lynas Rare Earths | LYC-AU | 12,058 | 10,988 | 30.0x | 15.9x | 56% |
| MP Materials | MP-US | 11,726 | 9,968 | 66.5x | 59.9x | 42% |
| **Specialty metals ex-Umicore (median)** | | | | **14.5x** | | |
| **NEO (market / our 2027E)** | **NEO-CA** | **1,150** | **1,220** | **9.4x / 6.6x** | **12.5x** | |

| Implied value per share | Multiple | Value |
|---|---|---|
| Half of all-peer median | 8.7x | C$33.25 |
| Specialty metals ex-Umicore (used) | 14.5x | C$56.40 |
| All-peer median | 17.5x | C$68.02 |

**Applied to our 2027E reported EBITDA (C$184M).** Peer multiples are LTM on reported EBITDA (after stock comp), the same basis as our EBITDA.



Source: FactSet comps screen (7-Nov-2026); The Fund model (Comps tab).

# Valuation

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## Discounted Cash Flow (2026E–2035E)

| C$M | 2026E* | 2027E | 2028E | 2029E | 2030E | 2035E |
|---|---|---|---|---|---|---|
| Revenue | 931 | 1,058 | 1,205 | 1,361 | 1,482 | 1,645 |
| **EBITDA (reported)** | **179** | **184** | **195** | **210** | **231** | **259** |
| Capex | -53 | -80 | -101 | -89 | -44 | -49 |
| Change in NWC | -101 | 40 | -32 | -53 | -39 | -8 |
| **Unlevered FCF** | **-22** | **96** | **13** | **15** | **90** | **137** |

*Full-year 2026E shown; only the 54 days after the 7-Nov-2026 valuation date are discounted.

| Bridge to equity | C$M |
|---|---|
| PV of 2026–35 FCF | 474 |
| PV of terminal value (14.0x 2035E) | 1,410 |
| **Enterprise value** | **1,884** |
| Plus cash and affiliates, less debt and minority | -70 |
| Equity value | 1,814 |
| **Per share (46.2M diluted)** | **C$39.29** |

### Key assumptions

- WACC 10.9%: GoC 10Y 3.8%, 5% ERP, NEO 3-year beta 1.67 (cost of equity 12.2%), 6% pre-tax debt, 84% equity
- Exit 14.0x 2035E reported EBITDA (sum of the parts)
- Terminal value 75% of EV
- Tax 30%; maintenance capex 3% of revenue; dividend C$0.40
- Cross-check: 2.5% perpetual growth kept in the model (Appendix C)

DCF value per share

**C$39.29**



Source: The Fund model (DCF & WACC tab); FactSet; Trading Economics (GoC 10-year, 30-Oct-2026).

# Valuation

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## Exit Multiple: Sum of the Parts (2035E)

| Segment (2035E) | Adj. EBITDA (C$M) | Peer basis | Multiple | Value (C$M) |
|---|---|---|---|---|
| Rare Metals | 141 | Dowa, JX, Materion average | 14.0x | 1,965 |
| Bonded powders | 57 | Specialty metals ex-Umicore | 14.0x | 802 |
| Chemicals & Oxides | 42 | Specialty metals ex-Umicore | 14.0x | 588 |
| Narva sintered magnets | 85 | Same peers; no scarcity premium | 14.0x | 1,186 |
| Corporate costs | (39) | At blended multiple | 14.0x | (545) |
| **Total / blended exit multiple** | **286** | | **14.0x** | **3,994** |

| Narva exit basis by case | Bear | Base | Bull |
|---|---|---|---|
| Narva multiple | Run-off value (~4.7x) | Peer average (14.0x) | Lynas less 50% (15.0x) |
| Blended exit multiple | 11.8x | 14.0x | 14.4x |

**Umicore excluded:** its 3.8x reflects battery-materials problems and precious-metal pass-through, not a normal specialty-metals multiple. Including it would lower the peer average to 11.4x.



Source: The Fund model (Comps tab, exit multiple build); FactSet LTM EV/EBITDA (7-Nov-2026).

# Valuation

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## Valuation Summary

| Method | Low (C$) | High (C$) | Target (C$) | Weight |
|---|---|---|---|---|
| DCF (bear to bull) | 11.89 | 62.70 | 39.29 | 50% |
| Comps (half to all-peer median) | 33.25 | 68.02 | 56.40 | 50% |
| Analyst targets (6 Buys) | 50.00 | 66.78 | 56.85 | 0% |
| 52-week range | 15.31 | 47.19 | – | 0% |

| Summary | C$ / share | vs C$24.90 |
|---|---|---|
| Target price, low (weighted) | C$22.57 | -9% |
| Target price, high (weighted) | C$65.36 | +163% |
| Current price (7-Nov-2026) | C$24.90 | – |
| **12-month target price** | **C$47.84** | **+92%** |
| Total return incl. 1.6% dividend | | +94% |

**How we get to the target**

| Method | Value | Weight | C$ |
|---|---|---|---|
| DCF | 39.29 | 50% | 19.64 |
| Comps | 56.40 | 50% | 28.20 |
| **Target** | | | **47.84** |

**+92% upside; +94% total return with the dividend**

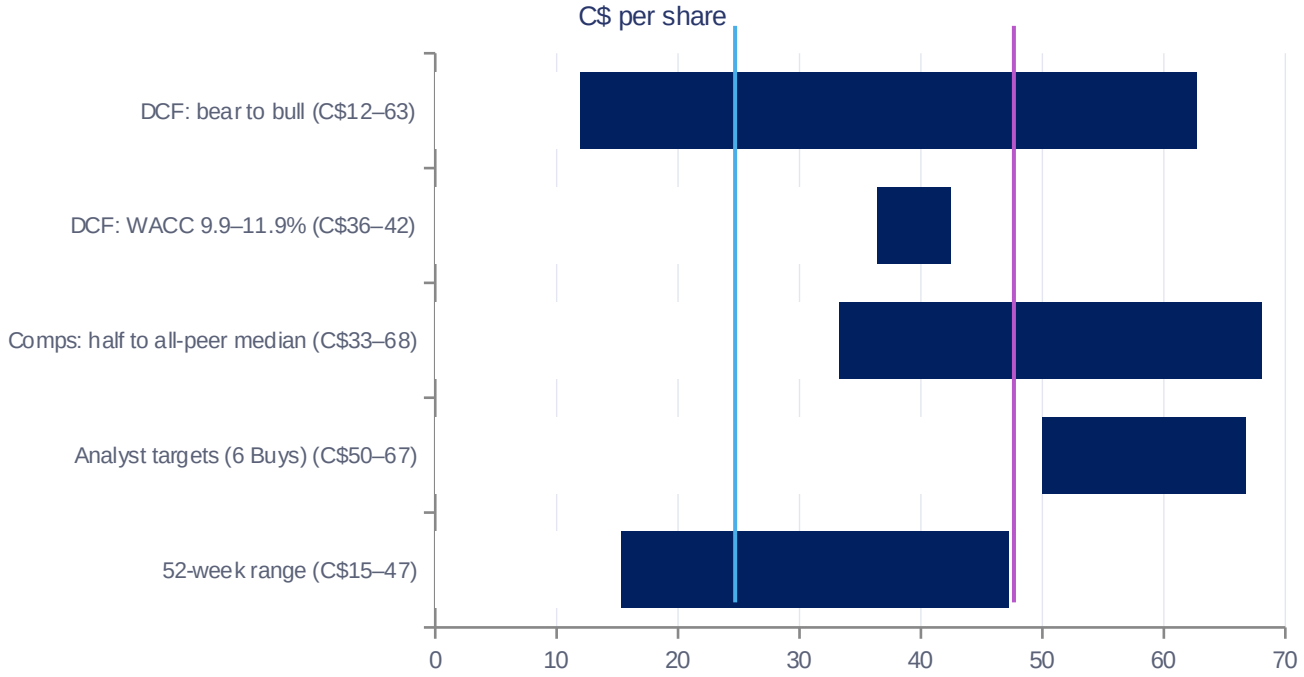


Source: The Fund model (Valuation Summary tab); FactSet (targets, 52-week range, 7-Nov-2026).

# Valuation

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## Summary Football Field




| | C$ |
|---|---|
| Current price | 24.90 |
| Target price | 47.84 |

Blue line: current price. Purple line: 12-month target.



Source: The Fund model; FactSet (targets, 52-week range).

# Valuation

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## Scenario Analysis (Bear to Bull)

### Bear: the risks slow it down

**C$11.89**

-52% vs C$24.90 (DCF)

- Hafnium below 2025 from 2027
- Narva a year late; 3,800t; US$58–62/kg
- Phase 1B 25% over; Narva at run-off value

### Base: our thesis

**C$39.29**

+58% vs C$24.90 (DCF)

- Hafnium held at today's price; margin to 28%
- Narva 4,750t from 2031; US$75/kg; 17% margin
- Phase 1B C$161M net; 14.0x exit

### Bull: catalysts land early

**C$62.70**

+152% vs C$24.90 (DCF)

- Contracts reprice to the H1-26 run-rate
- Phase 2 funded: 10,000t by 2032 at US$80–85/kg
- Narva re-rates (Lynas less 50%)

| Case ↓ Exit multiple → | 12x | 13x | 14x | 15x | 16x | Case value |
|---|---|---|---|---|---|---|
| **Bear** | 12.06 | 13.05 | 14.04 | 15.04 | 16.03 | **11.89 (11.8x)** |
| **Base** | 34.96 | 37.14 | 39.33 | 41.51 | 43.69 | **39.29 (14.0x)** |
| **Bull** | 53.74 | 57.48 | 61.22 | 64.95 | 68.69 | **62.70 (14.4x)** |

*DCF value per share (C$). "Case value" uses each case's own blended exit multiple.*

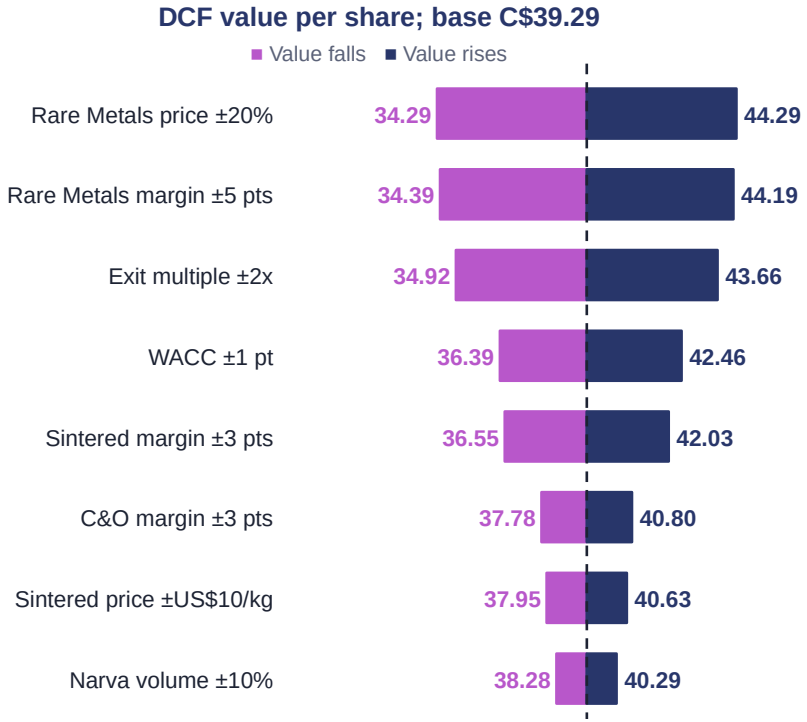


Source: The Fund model (Scenarios tab; each case re-run at fixed exit multiples).

# Valuation

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## Sensitivity: One Input at a Time




| WACC \ exit | 12x | 13x | 14x | 15x | 16x |
|---|---|---|---|---|---|
| **8.9%** | 40.80 | 43.38 | 45.96 | 48.54 | 51.12 |
| **9.9%** | 37.75 | 40.12 | 42.50 | 44.87 | 47.24 |
| **10.9%** | 34.96 | 37.14 | 39.33 | 41.51 | 43.69 |
| **11.9%** | 32.40 | 34.41 | 36.42 | 38.44 | 40.45 |
| **12.9%** | 30.05 | 31.91 | 33.76 | 35.62 | 37.47 |

**C$34–44**

DCF range from the Rare Metals price ±20%, the biggest lever

**All 25 cells > C$24.90**

WACC 8.9–12.9% × exit 12–16x; lowest C$30.05



Source: The Fund model (Scenarios sensitivity table, DCF grid). Base exit 14.0x rounds to the 14x column.

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neo Performance Materials

**Buy: NEO Performance Materials Inc. – TSX: NEO**

**Price Target: C$47.84 (92.1% upside)**

**Current Price: C$24.90 (as of Nov. 7)**

**Date: November 7, 2026**

**Nangyal Rehman**

***Sector Manager***

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# Appendix A: Sensitivity Analysis

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DCF value (C$/share): WACC (rows) × exit EV/EBITDA (columns).

| WACC ↓ Exit → | 12x | 13x | 14x | 15x | 16x |
|---|---|---|---|---|---|
| **8.87%** | 40.80 | 43.38 | 45.96 | 48.54 | 51.12 |
| **9.87%** | 37.75 | 40.12 | 42.50 | 44.87 | 47.24 |
| **10.87%** | 34.96 | 37.14 | 39.33 | 41.51 | 43.69 |
| **11.87%** | 32.40 | 34.41 | 36.42 | 38.44 | 40.45 |
| **12.87%** | 30.05 | 31.91 | 33.76 | 35.62 | 37.47 |

DCF value (C$/share): hafnium price index (rows, % of base) × Narva volume (columns, % of base).

| Hafnium ↓ Narva vol → | 80% | 90% | 100% | 110% | 120% |
|---|---|---|---|---|---|
| **80%** | 32.28 | 33.29 | 34.29 | 35.30 | 36.30 |
| **90%** | 34.78 | 35.79 | 36.79 | 37.80 | 38.80 |
| **100%** | 37.28 | 38.28 | 39.29 | 40.29 | 41.30 |
| **110%** | 39.78 | 40.78 | 41.79 | 42.79 | 43.80 |
| **120%** | 42.28 | 43.28 | 44.29 | 45.29 | 46.30 |



Source: The Fund model (DCF tab grid; hafnium price and Narva volume flexed on the base case).

# Appendix B: WACC and Terminal Value

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| Capital structure and WACC | Value | Basis / source |
|---|---|---|
| Risk-free rate | 3.80% | Government of Canada 10-year (3.77%, 30-Oct-2026) |
| Equity risk premium | 5.0% | Mid-range; kept from the 2024 model |
| Levered beta | 1.67 | NEO 3-year adjusted (FactSet); peer 1-year betas (1.87 relevered) inflated by the 2026 rally |
| Cost of equity | 12.2% | CAPM |
| Pre-tax cost of debt / tax | 6.0% / 30% | Term loans and revolver; normalised tax for Canada, China, Estonia |
| Equity / debt weight | 84% / 16% | Market cap C$1,150M; debt C$230M (30-Jun-2026) |
| **WACC** | **10.87%** | **±1 pt moves value C$36.39–42.46** |
| Exit multiple | 14.0x | Sum of the parts on 2035E EBITDA |
| Perpetual growth check | 2.5% | Gordon terminal value C$1,676M vs C$3,625M at the exit multiple (implied growth 6.8%) |



Source: The Fund model (DCF & WACC tab); FactSet; Trading Economics.

# Appendix C: Scenario Assumptions and Outputs

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| Driver | Bear | Base | Bull |
|---|---|---|---|
| Rare Metals price index (2025 = 100), 2027+ | 105–115 | 190 flat | 211 flat |
| Rare Metals margin, run-rate | 24–26% | 28% | 30% |
| Narva volume, steady state | 3,800t (late) | 4,750t from 2031 | 10,000t by 2032 (Phase 2) |
| Sintered price (US$/kg) | 58–62 | 75 | 80–85 |
| Sintered margin, run-rate | 13% | 17% | 19% |
| Bonded powders growth | -4% → 2% | 4% → 2.5% | 6% → 3% |
| C&O margin, run-rate | 10–13% | 16% | 18% |
| Phase 1B overrun / Phase 2 | 25% / no | 0% / no | 0% / yes (C$392M) |
| Inventory days, run-rate | 185 | 165 | 160 |
| Narva exit basis | Run-off (~4.7x) | Peer avg (14.0x) | Lynas less 50% (15.0x) |
| Blended exit multiple | 11.8x | 14.0x | 14.4x |
| 2028E adj. EBITDA (C$M) | 67 | 216 | 311 |
| **DCF value per share** | **C$11.89** | **C$39.29** | **C$62.70** |



Source: The Fund model (Scenarios tab, Thesis Map).

# Appendix D: Segment Build (C$M, Base Case)

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| | 2024A | 2025A | 2026E | 2027E | 2028E | 2029E | 2030E | 2035E |
|---|---|---|---|---|---|---|---|---|
| Narva sintered volume (t) | | | 300 | 1,100 | 2,200 | 3,400 | 4,300 | 4,750 |
| Rare Metals | 71 | 60 | 156 | 147 | 137 | 127 | 130 | 141 |
| Magnequench | 35 | 40 | 42 | 56 | 75 | 103 | 123 | 142 |
| Chemicals & Oxides | 7 | 33 | 38 | 34 | 35 | 35 | 37 | 42 |
| Corporate | -24 | -27 | -30 | -31 | -32 | -33 | -34 | -39 |
| **Adj. EBITDA** | **88** | **106** | **206** | **206** | **216** | **232** | **255** | **286** |
| **Revenue** | **652** | **669** | **931** | **1,058** | **1,205** | **1,361** | **1,482** | **1,645** |
| Adj. EBITDA margin | 13.5% | 15.8% | 22.2% | 19.4% | 17.9% | 17.1% | 17.2% | 17.4% |
| Reported EBITDA (DCF basis) | | | 179 | 184 | 195 | 210 | 231 | 259 |



Source: FactSet and NEO filings (2024A, 2025A); The Fund model (Revenue Build tab).

# Appendix E: Narva Timeline and Stand-Alone Value

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| Phase 1B cost build | Value |
|---|---|
| Phase 1A cost / capacity | €100M / 2,000t |
| Just Transition Fund grant (Phase 1A) | €19M |
| Phase 1B gross (+3,000t) | €150M |
| EU Innovation Fund share | 31.5% (€47M) |
| Phase 1B net | €103M = C$161M |
| Phasing | 30% / 40% / 30% (2027–29) |

| Narva stand-alone value | Value |
|---|---|
| EV at 14.0x exit | C$412M |
| Per share (exit case) | C$8.92 |
| EV on 2.5% perpetual growth | C$200M |
| Per share (perpetuity case) | C$4.33 |
| Multiple its own cash flows support | 7.6x |
| Phase 2 (bull only) | +5,000t; C$392M; 2028–30 |

*Stand-alone value is a cross-check only; Narva is already inside the DCF. The full €400M Estonian plan also covers Silmet 2.0 and metallisation, which are not in our base case.*



Source: Invest in Estonia; Metal Tech News (16-Sep-2026); SMM and Mining Weekly (Oct-2026); The Fund model (Narva tab).

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