

Neo Performance Materials Reports First Quarter 2019 Results

Q1 2019 Highlights

(unless other noted, all financial amounts in this news release are expressed in U.S. dollars)

- \$108.5 million in revenue
- Net income of \$12.2 million, or \$0.31 per share
- Adjusted Net Income⁽¹⁾ of \$8.1 million, or \$0.21 per share
- Adjusted EBITDA⁽¹⁾ of \$16.5 million
- Quarter-end closes with \$70.5 million of net cash after paying \$2.9 million in dividends to the shareholders.
- An increase in the quarterly dividend to Cdn\$0.10 per common share was declared on May 9, 2019 for shareholders of record at June 20, 2019, with a payment date of June 28, 2019.

TORONTO, Canada, May 13, 2019 – Neo Performance Materials Inc. ("**Neo**", the "**Company**") (**TSX:NEO**), a global leader in the innovation and manufacturing of rare earth and rare metal-based functional materials, today released its first quarter 2019 financial results. The financial statements and management's discussion and analysis ("**MD&A**") of these results can be viewed on Neo's web site at www.neomaterials.com and on SEDAR at www.sedar.com.

HIGHLIGHTS OF Q1 2019 CONSOLIDATED PERFORMANCE

For the three months ended March 31, 2019, consolidated revenue was \$108.5 million, compared to \$120.2 million in the prior year; a decrease of \$11.7 million or 9.7%. The majority of the revenue decrease was in the Magnequench segment where revenues declined \$8.2 million or 14.7%. This decrease is mainly attributed to lower rare earth commodity prices which are passed through to Neo's customers. Net income totaled \$12.2 million, or \$0.31 per share, compared to \$8.9 million, or \$0.22 per share, in the three months ended March 31, 2018. Adjusted Net Income⁽¹⁾ totaled \$8.1 million, or \$0.21 per share.

As of March 31, 2019, Neo reported cash and cash equivalents of \$76.1 million, compared to \$71.0 million as at December 31, 2018. Neo has approximately \$7.9 million available under its credit facilities with \$5.6 million drawn from the revolving line of credit. In addition, Neo paid \$2.9 million in dividends to its shareholders in the three months ended March 31, 2019, and re-purchased \$0.9 million of stock under its Normal Course Issuer Bid Program.

⁽¹⁾Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this new release and in the MD&A, available on Neo's website at www.neomaterials.com and on SEDAR at www.sedar.com.

SELECTED FINANCIAL RESULTS

TABLE 1: Selected Consolidated Results		
	Year-over-Year Comparison	
	Q1 2019	Q1 2018
(\$000s)		
Revenue	\$108,530	\$120,185
Operating income	\$16,239	\$13,505
EBITDA ⁽¹⁾	\$20,839	\$16,672
Adjusted EBITDA ⁽¹⁾	\$16,486	\$19,288
Adjusted EBITDA % ⁽¹⁾	15.2%	16.0%

⁽¹⁾Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this news release and in the MD&A.

Consolidated revenue in the quarter ended March 31, 2019 of \$108.5 million was 9.7% below the comparable quarter of 2018, while operating income of \$16.2 million rose 20.2% and net income of \$12.2 million increased by 38.1% in those respective periods. Both operating income and net income were affected by unusual transactions related to the termination of the arrangement agreement with Luxfer Holdings plc ("**Luxfer**") as announced on March 10, 2019. Adjusted EBITDA for Q1 2019 of \$16.5 million was 14.5% lower than in Q1 2018, with the Magnequench and Rare Metals segments lower but the Chemicals and Oxides ("**C&O**") segment showing improvement.

MAGNEQUENCH SEGMENT RESULTS

TABLE 2: Selected Magnequench Results		
	Year-over-Year Comparison	
	Q1 2019	Q1 2018
Volume (tonnes)	1,445	1,527
(\$000s)		
Revenue	\$47,555	\$55,734
Operating income	\$9,481	\$13,341
EBITDA ⁽¹⁾	\$11,423	\$15,328
Adjusted EBITDA ⁽¹⁾	\$10,929	\$15,475

⁽¹⁾Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this news release and in the MD&A.

In the quarter ended March 31, 2019, Magnequench continued to see growth in newer products such as traction motors for hybrid and electric vehicles and other platforms that are still ramping up volumes to full production levels. This was offset by a slowdown in auto sales and slower economic performance in China generally, which continued from the second half of 2018. Volume declined by 5.4% year-over-year ("**YOY**"), and revenue decreased by 14.7%. Operating income was down by 28.9% YOY, and Adjusted EBITDA was lower by 29.4%.

The decrease in first quarter volume, revenue, and Adjusted EBITDA is primarily attributable to changes in commodity rare earth prices. Magnequench has material pass-through agreements with the vast majority of its customers, which enables Magnequench to pass through changes in rare earth costs into selling price on a lagged basis. A rapid change in

rare earth costs in the latter half of 2017 had a lagging pass-through effect which translated into higher selling prices in the last quarter of 2017 and first three months of 2018. In contrast, rare earth costs, and the associated pass-through pricing, have been relatively stable in the second half of 2018 and into the first three months of 2019.

CHEMICALS AND OXIDES ("C&O") SEGMENT RESULTS

TABLE 3: Selected C&O Results		
	Year-over-Year Comparison	
	Q1 2019	Q1 2018
Volume (tonnes)	2,135	2,007
(\$000s)		
Revenue	\$43,573	\$45,156
Operating income	\$6,626	\$2,117
EBITDA ⁽¹⁾	\$7,790	\$3,277
Adjusted EBITDA ⁽¹⁾	\$6,988	\$3,520

⁽¹⁾Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this news release and in the MD&A.

In the first quarter of 2019, auto catalyst product volumes were adversely impacted by lower demand due to the slowdown in the automotive market continuing from the second half of 2018. Gasoline vehicle catalysts remained stable year over year, while diesel products continued to see decreases due to changes in market dynamics that have affected diesel sales from the second quarter of 2018. The segment's rare earth separation business benefited from the timing of high-value spot sales orders in the quarter (which is common in the rare earth separation business), and this had a positive impact on operating income and EBITDA. There were few spot sales in the first quarter of 2018.

C&O revenue in Q1 2019 of \$43.6 million was lower by 3.5% YOY, while operating income of \$6.6 million was 213.0% higher YOY. Adjusted EBITDA of \$7.0 million was a 98.5% increase over the comparable period of 2018, which was driven in part by the fact that \$3.0 million in expedited freight expenses were incurred in Q1 of 2018 but were not repeated in 2019.

RARE METALS SEGMENT RESULTS

TABLE 4: Selected Rare Metals Results		
	Year-over-Year Comparison	
	Q1 2019	Q1 2018
Volume (tonnes)	118	135
(\$000s)		
Revenue	\$21,531	\$22,771
Operating income	\$157	\$2,479
EBITDA ⁽¹⁾	\$1,362	\$3,709
Adjusted EBITDA ⁽¹⁾	\$1,175	\$3,796

⁽¹⁾Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this news release and in the MD&A.

For the first three months of 2019, Rare Metals was adversely affected by the continued impact of a rapid price decline in tantalum-based products that occurred in late 2018. The Rare Metals segment has considerable raw material on hand so when material prices change, there is a lead-lag impact into current period results as the operations is processing and selling material on hand purchased in a prior period. The segment saw stronger demand for hafnium-based products, as the business was successful in generating additional demand from both new and existing customers. The Rare Metals segment continues to develop new products and focus on value-added margins to mitigate short-term variations in its earnings due to material price volatility.

Segment revenue in Q1 2019 of \$21.5 million was lower by 5.4% over the prior-year period, while operating income of \$0.2 million compared to \$2.5 million in Q1 2018. Adjusted EBITDA of \$1.2 million in the quarter compares to \$3.8 million in the comparable period of 2018.

CONFERENCE CALL ON MONDAY, MAY 13, 2019 AT 10 AM EASTERN

Management will host a teleconference call on Monday, May 13, 2019 at 10:00 a.m. (Eastern Time) to discuss the first quarter 2019 results. Interested parties may access the teleconference by calling (647) 427-7450 (local) or (888) 231-8191 (toll-free long distance) or by visiting <http://cnw.en.mediaroom.com/events>. A recording of the teleconference may be accessed by calling (416) 849-0833 (local) or (855) 859-2056 (toll-free long distance), and entering pass code 5948329# until June 13, 2019 or by visiting <http://cnw.en.mediaroom.com/events>.

NON-IFRS MEASURES

This news release refers to certain non-IFRS financial measures such as "Adjusted Net Income", "EBITDA", "Adjusted EBITDA", and "Adjusted EBITDA Margin". These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS financial measures by providing further understanding of Neo's results of operations from management's perspective. Neo's definitions of non-IFRS measures used in this news release may not be the same as the definitions for such measures used by other companies in their reporting. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation nor as a substitute for analysis of Neo's financial information reported under IFRS. Neo uses non-IFRS financial measures to provide investors with supplemental measures of its base-line operating performance and to eliminate items that have less bearing on operating performance or operating conditions and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. Neo believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. Neo's management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period. For the operating segments, Neo also uses "OIBDA" and "Adjusted OIBDA", which reconciles to operating income. Neo uses Adjusted OIBDA and Adjusted EBITDA interchangeably as the use of adjustments in each measure provides the same calculated outcome of operating performance. For definitions of how Neo defines such financial measures, please see the "Non-IFRS Financial Measures" section of Neo's management's discussion and analysis filing for the three months ended March 31, 2019, available on Neo's web site at www.neomaterials.com and on SEDAR at www.sedar.com.

TABLE 5: CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(\$000s)	March 31, 2019	December 31, 2018
ASSETS		
Current		
Cash and cash equivalents	\$ 76,136	\$ 71,015
Restricted cash.....	1,562	1,650
Accounts receivable	59,009	49,544
Inventories.....	131,766	136,350
Income taxes receivable	263	343
Other current assets	22,077	20,554
Total current assets	290,813	279,456
Property, plant and equipment	91,862	86,963
Intangible assets	66,433	66,721
Goodwill.....	100,471	99,365
Investments.....	8,843	8,605
Deferred tax assets.....	884	1,079
Other non-current assets	845	834
Total non-current assets	269,338	263,567
Total assets	\$ 560,151	\$ 543,023
LIABILITIES AND EQUITY		
Current		
Bank advances and other short-term debt.....	\$ 5,631	\$ 3,970
Accounts payable and other accrued charges	55,336	59,877
Income taxes payable	6,731	6,566
Lease obligations	1,386	—
Other current liabilities.....	146	777
Total current liabilities	69,230	71,190
Employee benefits	1,986	2,125
Derivative liability.....	10,883	9,525
Provisions	4,717	4,717
Deferred tax liabilities	18,563	17,730
Lease obligations	3,445	—
Other non-current liabilities	2,554	559
Total non-current liabilities	42,148	34,656
Total liabilities	111,378	105,846
Non-controlling interest	4,760	4,758
Equity attributable to equity holders of Neo Performance Materials Inc.	444,013	432,419
Total equity	448,773	437,177
Total liabilities and equity	\$ 560,151	\$ 543,023

See accompanying notes to this table in Neo's Consolidated Financial Statements for the Three Months Ended March 31, 2019, available on Neo's website at www.neomaterials.com and on SEDAR at www.sedar.com.

TABLE 6: CONSOLIDATED RESULTS OF OPERATIONS

Comparison of the three months ended March 31, 2019 to the three months ended March 31, 2018:

(\$000s)	Three Months Ended March 31,	
	2019	2018
Revenue	\$ 108,530	\$ 120,185
Costs of sales		
Costs excluding depreciation and amortization	78,389	83,686
Depreciation and amortization.....	2,410	2,510
Gross profit	27,731	33,989
Expenses		
Selling, general and administrative.....	7,296	13,146
Share-based compensation	(390)	1,090
Depreciation and amortization.....	1,985	1,882
Research and development	2,601	4,366
	11,492	20,484
Operating income	16,239	13,505
Other expense	(126)	(34)
Finance costs, net.....	(1,382)	(237)
Foreign exchange gain (loss).....	93	(171)
Income from operations before income taxes and equity income (loss) of associates	14,824	13,063
Income tax expense	(2,835)	(3,191)
Income (loss) from operations before equity income (loss) of associates	11,989	9,872
Equity income (loss) of associates (net of income tax)	238	(1,020)
Net income	\$ 12,227	\$ 8,852
Attributable to:		
Equity holders of Neo Performance Materials Inc.	\$ 12,247	\$ 8,667
Non-controlling interest.....	(20)	185
	\$ 12,227	\$ 8,852
Earnings per share attributable to equity holders of Neo Performance Materials Inc.:		
Basic	\$ 0.31	\$ 0.22
Diluted	\$ 0.31	\$ 0.21

See Management's Discussion and Analysis for the Three Months Ended March 31, 2019, available on Neo's website at www.neomaterials.com and on SEDAR at www.sedar.com.

TABLE 7: RECONCILIATION OF NET INCOME TO EBITDA, ADJUSTED EBITDA AND FREE CASH FLOW

(\$000s)	Three Months Ended March 31,	
	2019	2018
Net income	\$ 12,227	\$ 8,852
Add back (deduct):		
Finance costs, net.....	1,382	237
Income tax expense	2,835	3,191
Depreciation and amortization included in costs of sales	2,410	2,510
Depreciation and amortization.....	1,985	1,882
EBITDA	20,839	16,672
Adjustments to EBITDA:		
Equity (income) loss in associates	(238)	1,020
Other expense ⁽¹⁾	126	34
Foreign exchange (gain) loss ⁽²⁾	(93)	171
Share and value-based compensation (recovery) expense ⁽³⁾	(2,199)	1,391
Non-recurring transaction cost ⁽⁴⁾	(1,949)	—
Adjusted EBITDA	\$ 16,486	\$ 19,288
<i>Adjusted EBITDA Margins</i>	<i>15.2%</i>	<i>16.0%</i>
Less:		
Capital expenditures	2,665	2,305
Free Cash Flow	13,821	16,983
<i>Free Cash Flow Conversion</i> ⁽⁵⁾	<i>83.8%</i>	<i>88.0%</i>

Notes:

- (1) Represents other expenses resulting from non-operational related activities. These costs and recoveries are not indicative of Neo's ongoing activities.
- (2) Represents unrealized and realized foreign exchange losses (gains) that include non-cash adjustments in translating foreign denominated monetary assets and liabilities.
- (3) Represents share and value-based compensation expense in respect of the Legacy Plan, the LTIP and the long-term value bonus plan, which has similar vesting criteria to the share-based plan and is settled in cash for non-executives and non-North Americans where implementation of a share settlement plan would have been prohibitively expensive in terms of administration and compliance. Value-based compensation (recovery)/expense of \$(1,809) and \$302 is included in selling, general, and administration expenses for the three months ended March 31, 2019 and three months ended March 31, 2018, respectively. Neo has removed both the share and value-based compensation expense from EBITDA to provide comparability with historic periods and to treat it consistently with the share-based awards that they are intended to replace.
- (4) These represents legal, professional advisory fees and other transaction costs incurred netted with the amounts recoverable from Luxfer for the termination of the Luxfer Transaction. These net recoveries were included in selling, general, and administration expense.
- (5) Calculated as Free Cash Flow divided by Adjusted EBITDA.

TABLE 8: RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME

(\$000s)	Three Months Ended March 31,	
	2019	2018
Net income	\$ 12,227	\$ 8,852
Adjustments to net income:		
Foreign exchange (gain) loss ⁽¹⁾	(93)	171
Share and value-based compensation (recovery) expense ⁽²⁾	(2,199)	1,391
Non-recurring transaction cost ⁽³⁾	(1,949)	—
Tax impact of the above items	154	(146)
Adjusted net income	\$ 8,140	\$ 10,268
Attributable to:		
Equity holders of Neo Performance Materials Inc.....	8,160	10,083
Non-controlling interest.....	(20)	185
Weighted average number of common shares outstanding:		
Basic	39,641,879	39,920,140
Diluted	39,964,500	40,402,139
Adjusted earnings per share ⁽⁴⁾ attributable to equity shareholders of Neo Performance Materials Inc.:		
Basic	\$ 0.21	\$ 0.25
Diluted	\$ 0.20	\$ 0.25

Notes:

- (1) Represents unrealized and realized foreign exchange losses (gains) that include non-cash adjustments in translating foreign denominated monetary assets and liabilities.
- (2) Represents share and value-based compensation expense in respect of the Legacy Plan, the LTIP and the long-term value bonus plan, which has similar vesting criteria to the share-based plan and is settled in cash for non-executives and non-North Americans where implementation of a share settlement plan would have been prohibitively expensive in terms of administration and compliance. Value-based compensation (recovery)/expense of \$(1,809) and \$302 is included in selling, general, and administration expenses for the three months ended March 31, 2019 and three months ended March 31, 2018, respectively. Neo has removed both the share and value-based compensation expense from net income to provide comparability with historic periods and to treat it consistently with the share-based awards that they are intended to replace.
- (3) These represents legal, professional advisory fees and other transaction costs incurred netted with the amounts recoverable from Luxfer for the termination of the Luxfer Transaction. These net recoveries were included in selling, general, and administration expense.
- (4) Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this new release and in the MD&A, available on Neo's website www.neomaterials.com and on SEDAR at www.sedar.com.

Notice of Shareholder Meeting

Neo will hold its Annual General Meeting of Shareholders on Thursday, June 20, 2019 at 4:00 pm (Toronto time) at the offices of Fogler, Rubinoff LLP, 77 King Street West, Suite 3000, Toronto, Ontario.

About Neo Performance Materials

Neo Performance Materials is a global leader in the innovation and manufacturing of rare earth and rare metal-based functional materials, which are essential inputs to high technology, high growth, future-facing industries. The business of Neo is organized along three segments: Magnequench, Chemicals & Oxides and Rare Metals. Neo is headquartered in Toronto, Ontario, Canada; with corporate offices in Greenwood Village, Colorado, US; and Beijing, China. Neo operates globally with sales and production across 10 countries, being Japan, China, Thailand, Estonia, Singapore, Germany, United Kingdom, Canada, United States, and South Korea. For more information, please visit www.neomaterials.com.

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Cautionary Statements Regarding Forward Looking Statements

This news release contains "forward-looking information" within the meaning of applicable securities laws in Canada. Forward-looking information may relate to future events or future performance of Neo. All statements in this release, other than statements of historical facts, with respect to Neo's objectives and goals, as well as statements with respect to its beliefs, plans, objectives, expectations, anticipations, estimates, and intentions, are forward-looking information. Specific forward-looking statements in this discussion include, but are not limited to: expectations regarding certain of Neo's future results and information, including, among other things, revenue, expenses, sales growth, capital expenditures, and operations; statements with respect to expected use of cash balances; continuation of prudent management of working capital; source of funds for ongoing business requirements and capital investments; expectations regarding sufficiency of the allowance for uncollectible accounts and inventory provisions; analysis regarding sensitivity of the business to changes in exchange rates; impact of recently adopted accounting pronouncements; risk factors relating to intellectual property protection and intellectual property litigation; and, expectations concerning any remediation efforts to Neo's design of its internal controls over financial reporting and disclosure controls and procedures. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Neo believes the expectations reflected in such forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this discussion and analysis should not be unduly relied upon. For more information on Neo, investors should review Neo's continuous disclosure filings that are available under Neo's profile at www.sedar.com.