

DESK NOTE

26.12.2024

MP Materials Corp. (MP US) – From Mines to Magnets: MP's Path to High-Margin Growth

Conclusive Summary: MP Materials has strong prospects for accelerating FCF growth post-capex completion on major projects, supported by U.S. government, rising demand for permanent magnets in high-tech industries, and Chinese rare earth export restrictions. The company is successfully executing its vertical integration strategy and entering new markets. Completion of Stage II (NdPr oxide production) and Stage III (NdFeB magnet production) will significantly boost margins and operational efficiency, unlocking substantial shareholder value. Beyond EVs, MP targets high-growth industries like robotics, medical devices, and advanced industrial applications, including military sectors (drones and optics). These markets offer premium revenue streams and reduce dependence on cyclical REO demand. A robust balance sheet with \$866 million in cash and \$79.2 million net debt ensures flexibility for investment and scaling. Investors should consider the stock as a medium- or long-term buy below \$15.94, which provides a good risk-reward profile with 41%+ potential.

Competitive Position: MP, with low-cost production and high-quality reserves, is well-positioned to meet growing Western demand for rare earths. Its Fort Worth, Texas, facility will produce 1 KMT of magnets annually, enough for 500K EV motors, targeting 6 KMT for 6-10M EVs long-term. MP supplies three of the five largest non-Chinese OEMs globally, partners with GM, and has a contract with the US Department of Defense. In 2024, MP repurchased 8.6% of shares for \$225M and expanded its buyback program by \$300M.

Valuation: Based on a combination of DCF and multiple valuation, **MP's stock is set at a blended target price of \$22.44 reflecting a 41% upside from the recommended buy level.** Addition of \$80 to 2029 EBITDA (from producing 1KMT NdFeB magnets) would make blended target price rise to \$27.77.

Ticker: MP US

Previous day close price: \$16.54

Price range (52w.): \$ 10.02 - \$24.01

Target price: \$22.44 (+41% upside)

Buy price: \$15.94 or lower

Reason for note: Regular review of strategic ideas

Recommendation: **Buy@ \$15.94**

Description: MP Materials (MP) is the second-largest producer of global rare earth oxide (REO) content (15%) and operates the only significant rare earth mining and processing facility in the Western Hemisphere at the Mountain Pass mine, California. Focused on extracting neodymium-praseodymium (NdPr) for permanent magnets, its current capacity exceeds 40,000 metric tons (MT) of REO annually. It primarily exports REO to China, with some shipments to South Korea and Japan. The company is transforming from a concentrate producer to an integrated supplier of refined oxides and magnets, capturing downstream value. In Q3, it achieved record REO production of 13,700 MT (+15% YoY) and nearly 10x growth in NdPr oxide output to 478 MT, with sales volumes up 3x QoQ.

Valentin Zhurba, vz@dprginvestment.com

Tel: +357 223 22030

Forward multiple		Factor	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/EBITDA 2033	14	282.5	3,955.6	79.2	4,034.8	163.2	\$24.72
P/E 2028	30	.75	3,751.2	79.2	3,672.0	163.2	\$22.50
Avg. Multiple Price							\$23.61
DCF Price							\$20.11
Avg. Multiple & DCF Price							\$22.44

APPROVED

Private and Confidential. For Designated Party only.

Disclaimer: This document is issued by DPRG IM LTD (HE433850), a Cyprus Investment Firm authorized and regulated by the Cyprus Securities and Exchange Commission (CySEC) to offer certain investment and ancillary services and activities under the provisions of the Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets, and Other Related Matters Law of 2017, Law 87(I)/2017, as subsequently amended or replaced from time to time (the "Law"), with CIF license number (license number to be added upon authorization). The information contained herein is for informational purposes only and does not constitute an offer to buy or sell any financial instrument, nor should it be considered as personalized investment advice. Investments involve significant risks, including the potential loss of the initial investment. Past performance is not indicative of future results. DPRG IM LTD and its affiliates may hold positions in the financial instruments mentioned herein, which may create potential conflicts of interest. The company adheres to strict compliance policies to manage such conflicts and ensure transparency. For further details, please contact compliance@dprginvestment.com or +357 22322030.

