

USA Rare Earth

First Quarter 2026 Earnings Conference Call

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CORPORATE PARTICIPANTS

Barbara Humpton--*Chief Executive Officer*

Rob Steele--*Chief Financial Officer*

JB Lowe--*Vice President and Head, Investor Relations*

PRESENTATION

Operator

Good afternoon, and welcome to the USA Rare Earth First Quarter 2026 Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the conference over to JB Lowe, Vice President and Head of Investor Relations. Please go ahead.

JB Lowe

Thank you, Gary. Good afternoon, and welcome to USA Rare Earth's 2026 first quarter earnings conference call. With me today are Barbara Humpton, Chief Executive Officer; and Rob Steele, Chief Financial Officer. Following Barbara and Rob's updates across our business and quarterly results, we will open the lines for Q&A.

I would like to remind participants that today's discussion may contain forward-looking statements. Please refer to the press release and our SEC filings for a discussion of risk factors. Listeners who do not have a copy of the press release or associated presentation may access these documents by visiting the Investor Relations section of the company's website.

With that, I will turn the call over to Barbara.

Barbara Humpton

Thank you, JB. USA Rare Earth is at a defining moment. Our mission remains clear, to be the global champion in rare earths and the partner of choice for the advanced materials that underpin Western national security and technological innovation. The initial months of 2026 were defined by our transformational and strategic actions.

By announcing three critical transactions, Serra Verde, Carester and the consolidation of TMRC, we are successfully closing the loop on our global mine to magnet value chain. Upon completion of these transactions, USA Rare Earth will operate a fully integrated industrial platform that spans three continents, and we believe will secure the critical materials essential for allied technological leadership.

Our agreement to acquire 100% of the Serra Verde Group is a watershed moment for the Western rare earth industry. This transaction secures a one-of-a-kind operating asset, the Pela Ema mine in Brazil, which is currently the only scaled producer of all four magnetic rare earths outside of Asia. Serra Verde's 100% 15-year offtake agreement with a U.S. government financed SPV that includes price floors for not only NdPr, but for the first time, dysprosium and terbium is a watershed moment. This will provide transparent, reliable price signals previously absent in the market.

Additionally, this transaction is expected to accelerate our path to positive cash flow generation, effectively providing an immediate upstream bridge to our domestic Round Top Project. We also believe this acquisition strengthens our U.S. and allied government relationships and provides multiple embedded growth opportunities, including a potential Phase 2 doubling of Pela Ema's production capacity. The transaction adds significant leadership depth through the appointment of Sir Mick Davis and Thras Moraitis to our Board, with Mr. Moraitis also serving as President of the combined company.

Next, our planned strategic investment in Carester amplifies our global leadership in heavy rare earth processing, including from recycled sources. We believe our partnership will provide us with

contractual and equity relationships across the allied supply chain. In addition, it will grant us access to world-class engineering capabilities and IP that we can apply to the development of our own facilities.

Finally, by consolidating 100% economic ownership of the Round Top Project, we will streamline our operations, governance and decision-making to fully capture the high-margin growth of one of North America's most unique heavy rare earth deposits. Together, we believe these three moves will transform USA Rare Earth from a development stage project into the world's most comprehensive integrated rare earth platform, and we're building this platform from a strong financial position.

In January, we announced a letter of intent with the Department of Commerce to provide \$1.6 billion in funding. We're currently in the final stages of completing definitive documentation and expect this process to be finalized this month. This support following an intense due diligence effort, represents a validation of our asset base, business model and growth plans and will significantly derisk our path to full-scale production.

We also successfully closed a \$1.5 billion PIPE. This capital, augmented by the anticipated funding from the Department of Commerce provides the ability for us to accelerate our build-out, not only in the United States but across three continents.

Beyond our strategic acquisitions and investments, we also made great strides in the development of our operations as we build the partner of choice in rare earth elements, oxides, metals, and magnets. The sense of urgency we're seeing from industrial partners and customers has increased dramatically in recent quarters, and is present across each of our businesses.

The growing interest in our capabilities includes deep engagement with blue-chip OEMs, Tier 1 defense contractors and pioneers in the data center, aerospace and physical AI infrastructure sectors. For many of our potential partners, the need for a secure and reliable supply chain for rare earths and critical minerals has moved from an aspiration to a strategic imperative. We're moving with speed to meet this need, and we hit the ground running in the first quarter with several major achievements.

In March, we commissioned Phase 1A at our Stillwater magnet manufacturing plant. This transition from developer to operational manufacturer will allow us to initiate customer-ready production of sintered NdFeB magnets in the second quarter, followed by fulfilling sales to customers in the second half of 2026.

Our commercial momentum is clear with frequent on-site visits from leaders in the semiconductor, industrial motor, heavy equipment and aerospace sectors. We're seeing strong interest from potential customers in qualifying and purchasing non-China NdFeB magnets. In several cases, we're seeing demand for safety stocks of semi-finished block magnets that can be finished into final shapes as needed.

In our midstream operations, we're scaling metal, alloy and strip cast capacity to meet our own internal manufacturing demand and increased interest from a broader set of potential customers. Here, too, we're seeing inquiries for both real-time needs and safety stock. Complementing this growth, we have advanced our plans for less common metals in Loches, France. Co-located with Carester's Caremag facility, this hub will establish a comprehensive European supply chain for rare earth processing and metal production, further strengthening our globally integrated mine-to-

magnet platform. This heightened level of interest for specialized light and heavy rare earth metals underscores the unique technical capabilities we possess at LCM.

Beyond our capabilities in magnetic metals and alloys, we're receiving an increasing number of inquiries for more specialized products, including gallium and gadolinium. And just last month, we completed our first commercial yttrium metal pour, which places us among a limited number of producers outside of China for a metal essential to high-temperature aerospace components such as turbine blades.

Executing this vision requires the A team. We recently expanded our leadership team with the appointments of Valerie Ford Jacob as Chief Legal Officer; Gregory Bowman as Chief Global Policy Officer and Head of External Affairs; JB Lowe as Vice President and Head of Investor Relations; and Chaitan Kansal, CK, as Chief Commercial Officer.

Upon the closing of the Serra Verde Group transaction, the addition of Thras Moraitis as President will further strengthen our executive leadership team. We've also added vital expertise to our Board with Thras, Sir Mick Davis, and GlobalFoundries Executive Chairman, Dr. Thomas Caulfield, whose experience in scaling complex industrial platforms is essential to our global speed.

Now, let me hand it off to Rob Steele to cover our financial performance.

Rob Steele

Thanks, Barbara. Now, turning to our Q1 results. Revenues for the quarter were approximately \$6 million, derived from our metal making business at LCM. We are actively expanding our operations at LCM to meet the growing demand for metals and alloys, and expect revenue to increase at LCM throughout 2026. Gross profit was slightly positive, and we expect gross margins at LCM to improve as utilization at the U.K. facility increases throughout the year.

Operating expenses in the quarter were approximately \$37 million. When adjusted for M&A-related expenses and stock-based comp, our ongoing operating expenses were approximately \$25 million. We reported a net loss attributable to common stockholders of \$67 million or a loss per share of \$0.34. This includes a non-cash fair value adjustment of \$43.6 million related to our warrant and earn-out liabilities. Excluding this, our adjusted net loss was \$24.1 million, or an adjusted net loss per share of \$0.12, which we believe is a more accurate reflection of our core operating performance.

Moving to our balance sheet. We are in a very strong financial position, ending the quarter with approximately \$1.75 billion in cash, which includes proceeds from the \$1.5 billion PIPE that closed in January. Our strong cash position has provided us the flexibility and liquidity to execute and accelerate our mine-to-magnet strategy, which our recently announced investments and activities demonstrate.

As we keep advancing, we will continue to actively and prudently manage the capital intensity required to build out a world-class integrated value chain. Capital expenditures for the quarter were approximately \$40 million, largely related to the build-out of our magnet manufacturing capacity and ramp-up at LCM, U.K. As Barbara mentioned, we are currently in the final stages of completing definitive documentation for our LOI with the Department of Commerce and expect this process to be finalized this month.

Moving to an update on our operations. At our Wheat Ridge R&D headquarters, our hydrometallurgical facility is currently commissioning solvent extraction circuits for the three demonstrations; the Round Top flow sheet, third-party MREC separation and magnet swarf recycling. All three demonstrations are expected to be up and running within the next several weeks. We have also commenced vat leaching at Round Top, which will supply feedstock to the hydromet facility.

At Round Top, we are moving forward with our definitive feasibility study, which we expect to be completed year-end and published in Q1 2027. We have already put in new infrastructure and have initiated drilling on our water lease. Key process data is currently being validated by Fluor and additional processing inputs critical to the PFS will be completed within the next month.

We are also in the process of awarding our civil geotechnical drilling contract for all mining infrastructure, including the heap leach pad sites at Round Top. And in addition to the demonstration work at Round Top and at Wheat Ridge, we will soon commence a three-rig drilling campaign to drill over 15,000 feet of core for resource upgrading and geotechnical pit design.

At Stillwater, we are ramping magnet capacity to reach a run rate of 600 metric tons per annum by year-end. After commissioning Phase 1A in March, we have started to produce commercial magnets that can be used for customer qualification. As Barbara mentioned, much of the near-term demand we see in magnets is from customers looking to build safety or insurance stock of semi-finished block magnets, which we are currently producing at Stillwater.

In addition, our finishing equipment is already on site and should be up and running at the beginning of Q3. In midstream, we expect LCM to reach 3,000 metric tons per annum of metal making and strip cast capacity by Q4. As Barbara mentioned, beyond our growing internal metal and alloy needs, we are seeing heightened third-party demand for the unique technical capabilities we possess at LCM from both NdFeB and samarium cobalt magnet manufacturers and specialty rare earth and critical metal and alloy customers.

We are proud of how much we've accomplished this year so far and look forward to closing all of our transactions. While we will not be providing financial guidance at this time, we do look forward to our first Investor Day, which we are planning for Q3 2026 after we close the Serra Verde transaction.

Operator, we are now ready to open the lines for Q&A.

QUESTION AND ANSWER

Operator

We will now begin the question-and-answer session. [Operator Instructions] The first question is from Derek Soderberg with Cantor Fitzgerald. Please go ahead.

Derek Soderberg

Yeah. Hey, everyone. Thanks for taking my questions. I wanted to start with the Serra Verde acquisition. In the 8-K, it looks like the valuation currently is \$3.64 billion. That might be higher than previous targets. But it says there's potentially a 25% increase should your share price perform. Can you just remind us what the mechanics of the equity portion of the consideration is? Is there a cap on the share issuance? And how should we model the ultimate dilution if the stock performs well here?

Rob Steele

Yeah. I mean, the way the deal is structured is \$300 million of cash and just under 127 million shares of common stock.

Derek Soderberg

Got it. That's helpful. And then as my follow-up, sort of, a two-part question on the CHIPS funding. It looks like the agreement was supposed to be signed last month. Barbara, you talked about some intense due diligence. Can you maybe just expand on what might have caused the slight delay? And then I'm curious if anything has changed regarding the milestones, the government is requiring to unlock the various tranches of the capital? Thanks.

Barbara Humpton

Okay. Great. Yeah, Derek, thanks. Happy to address this. First of all, let me say I am so thrilled to be working with the Department of Commerce, because imagine since January, when we first announced the letter of intent, we've had significant announcements on our side. And I will tell you that our -- the professionals at the Department of Commerce, first of all, abided by all guidelines in terms of how they treated us through this. They were an investor and recognize the fact that we have a growing business we needed to attend to.

And when we shared with them our intent to, for instance, acquire Serra Verde, it caused them to have to go back through and review and validate decisions they had already made. I'm happy to say that every move we've made has actually strengthened our deal, but there was great work to be done on the commerce side. So, we are in the final stages. We look forward to closing the transaction very shortly, and we'll be back to you with news. Rob, anything you would add to answer along the lines?

Rob Steele

No, I think that really covers it. We're in the final stages of the documentation, and we'll be sharing more when we complete it.

Barbara Humpton

Yeah. Grateful to those patriots who are busy helping us get this launched.

Derek Soderberg

Great. Thanks so much.

Operator

The next question is from Neal Dingmann with William Blair. Please go ahead.

Neal Dingmann

Good afternoon, Barbara and Rob. Nice details. My question is just on feedstock. You talked about ramping up. I know you continue to be right on schedule for 1A, the 600, I think by the end of this year, and then ramping to the 1,200. Do you already have that feedstock? Will that be coming partly from Carester? Or could you just talk about where you're going to be sourcing that?

Rob Steele

Yeah. I mean, look, we already have the feedstock to commence operation in the initial phases here. And we have a lot of opportunities as we ramp production going forward, including from Carester, where we already have plans and an agreement with them to recycle our swarf that we produce from the Stillwater magnet making facility. And as you know, they have essentially in Europe, unmatched heavy rare earth processing capability. But there's also a lot of other sources

that we can obtain feedstock, including through Serra Verde, and hopefully, the SPV associated with that. So, we feel very good about the position we're in and our ability to scale our feedstock with our operation.

Neal Dingmann

Perfect. Thanks, Rob. And then just secondly, I really like the Carester deal, the strategic partnership and everything announced there. Could you talk about just timing behind as far as -- I don't know if you...?

Rob Steele

We lost you, Neal.

Operator

Yeah. Unfortunately, Neal's line disconnected right now. So we're going to move to -- [Operator Instructions] The next question is from Suji Desilva with ROTH Capital. Please go ahead.

Suji Desilva

Hi, Barbara. Hi, Rob. So, Barbara, you highlighted the customers and wanting safety stock. I'm just curious, if you could kind of give us some sense, maybe quantify qualitatively, how drastic the situation is relative to where the customers would like to be, and if that could soak up the first several quarters or years even of your demand just to get customers in a comfortable position?

Barbara Humpton

Yes. I think this is a really critical thing for us to be sharing with all of you about our sales strategy in magnets. We recognize that the situation is dire. Should China choose to withhold materials at any time, it's critical for manufacturers in the U.S and with our allies to be able to get access to materials. So our strategy is not to devote our manufacturing lines to a small number of offtakers.

Instead, we're focused in on reaching a broad set of stakeholders across many sectors of the economy. And already, we're beginning to hear pronouncements from, for instance, auto OEMs who are directing their suppliers to maintain up to a 1-year supply of permanent magnets and/or metals.

So we know the demand is out there. We are being approached by aerospace and defense customers who have a January 1, 2027, deadline for being able to source materials from -- sources outside of China. And really, the key thing here is, let me go back to magnets. When we deal with magnets, the process, the sales process is, first, identify potential demand. Let's call that the top of the funnel. Then there's an on-site validation process.

We're entertaining many, many potential customers with on-site visits. Third is to actually get a production line up and running, check, completed that during Q1. Now we're capable of producing the prototype material that customers need in order to do their own independent validation of the quality of our magnets. That process is going on right now.

That ultimately leads to purchase orders and we expect those to start flowing in the second half of the year, Now what's interesting is metals are similar, but -- so we've had a lot of success with customers visiting less common metals, having an opportunity to get prototype material, including that very coveted Yttrium metal. So we look for that to get exciting.

The thing I've been most surprised by is that here we are doing our pilot drilling and the early demonstration work, our pilot plant, etcetera, for Round Top and already, we have customers

lining up to establish supply agreements for the oxides that we'll be producing from that deposit. I am very bullish on the demand signal being strong. And the only question we have to our team is how fast can we move?

Suji Desilva

That's very helpful color. Thank you, Barbara. And then maybe for Rob, there were some filings after the close of registrations. Can you talk about which of those are additional shares versus existing shares, new shares planned? Any color there would be helpful? Thanks.

Rob Steele

Sorry, on the registration statements?

Suji Desilva

Correct. Yeah.

Rob Steele

I'm sorry. What were you -- yeah, so look, we have -- sorry, go ahead, Suji?

Suji Desilva

No, I mean those are new shares versus existing shareholders registering.

Rob Steele

Yes. I mean it's a combination of shares that are being registered right now. So as part of our merger process, of course, we're going through a proxy where we're registering the shares that we're acquiring and we're maintaining the registration statements for the securities that we issued associated with the PIPE. And so there's multiple shares that we're registering right now.

Suji Desilva

Okay. Thanks, Rob. Thanks, Barbara.

Operator

[Operator Instructions] Our next question is from Neal Dingmann with William Blair. Please go ahead.

Neal Dingmann

Sorry about that. I'm not sure what happened. For you Rob, just my question was -- the second question I had was just on Carester. Love the strategic partnership there. Any details you could give as far as timing, volumes, kind of all that good stuff, how quickly we might continue to see that ramp up?

Rob Steele

Yes. So I mean, timing of the close is coming up. So we're still working on final definitive documentation there. But their facility starts ramping near the end of this year is when they come online, and they'll scale over the course of 2027. And they're going to be sourcing and servicing in Europe. And some of that material will ultimately flow back into us as well as into -- ultimately into Japan.

Neal Dingmann

Do you know what percent, Rob, yet is for you all or is that too early to tell?

Rob Steele

I mean it's in our agreement. So we have a fixed amount, but it's based upon scaling. And so at this point, it's a little bit too early to tell.

Neal Dingmann

Very good. Thanks for the details.

Barbara Humpton

Yes. I want to pause on Neal's question because you'll see plenty in the press today about the fact that processing is the weak link in the chain. And so what I think investors really should focus in on is that our ability to bring processing from the world leaders outside of China, have that intellectual property available to the team at USA Rare Earth gives us the ability to work with, not only our own deposits, but deposits anywhere.

The third-party MREC line that we're standing up as part of our deal with the Department of Commerce says we can take material from other deposits and actually produce oxides that, again, flow through this value chain. We're not aiming for an integrated supply chain. What we're doing is scaling every link in the chain, recognizing there are multiple offtakers for not only the raw minerals, the oxides as well, ultimately the metals and then the magnets.

Conclusion

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Barbara Humpton for any closing remarks.

Barbara Humpton

Great. Thank you so much. And I want to thank everybody for joining us today. Let me come back to the question that Suji asked about customers because there's a real distinction here about the strategy we're taking at USA Rare Earth. We know we're creating the platform that will be the leader within the global rare earth industry.

As we get started with this flywheel, we're seeking to serve as many customers as possible, supplying safety stock, knowing that this is the high-margin play. This is going to be generating shareholder value as we address those areas of the economy that are most critical. Now we're playing out this strategy now. You've seen how fast we've been moving. And I just want to call everybody's attention to the things that are still ahead of us this year.

We are on the brink of signing that definitive agreement with the Department of Commerce. We're getting ready to commission the hydrometallurgical demonstration facility in Colorado and you can look for news this quarter. We're going to be working on this definitive feasibility study for Round Top throughout the year, but look for details as we accomplish significant milestones toward that end.

In Stillwater, we're building out the capacity and reaching the 600 metric ton per annum run rate that we're striving for. And then we're scaling out metal making. We'll be providing news to you, the shareholders, as we go because we want you to have insight as we build out this global leader. Thanks for joining us today.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

