

USA Rare Earth, Inc. NasdaqGM:USAR

FQ2 2025 Earnings Call Transcripts

Monday, August 11, 2025 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2025-			-FQ3 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	(0.12)	(1.54)	NM	(0.10)	(0.50)	NA
Revenue (mm)	0.00	0.00	0.00	0.00	0.00	NA

Currency: USD

Consensus as of Aug-12-2025 4:47 PM GMT

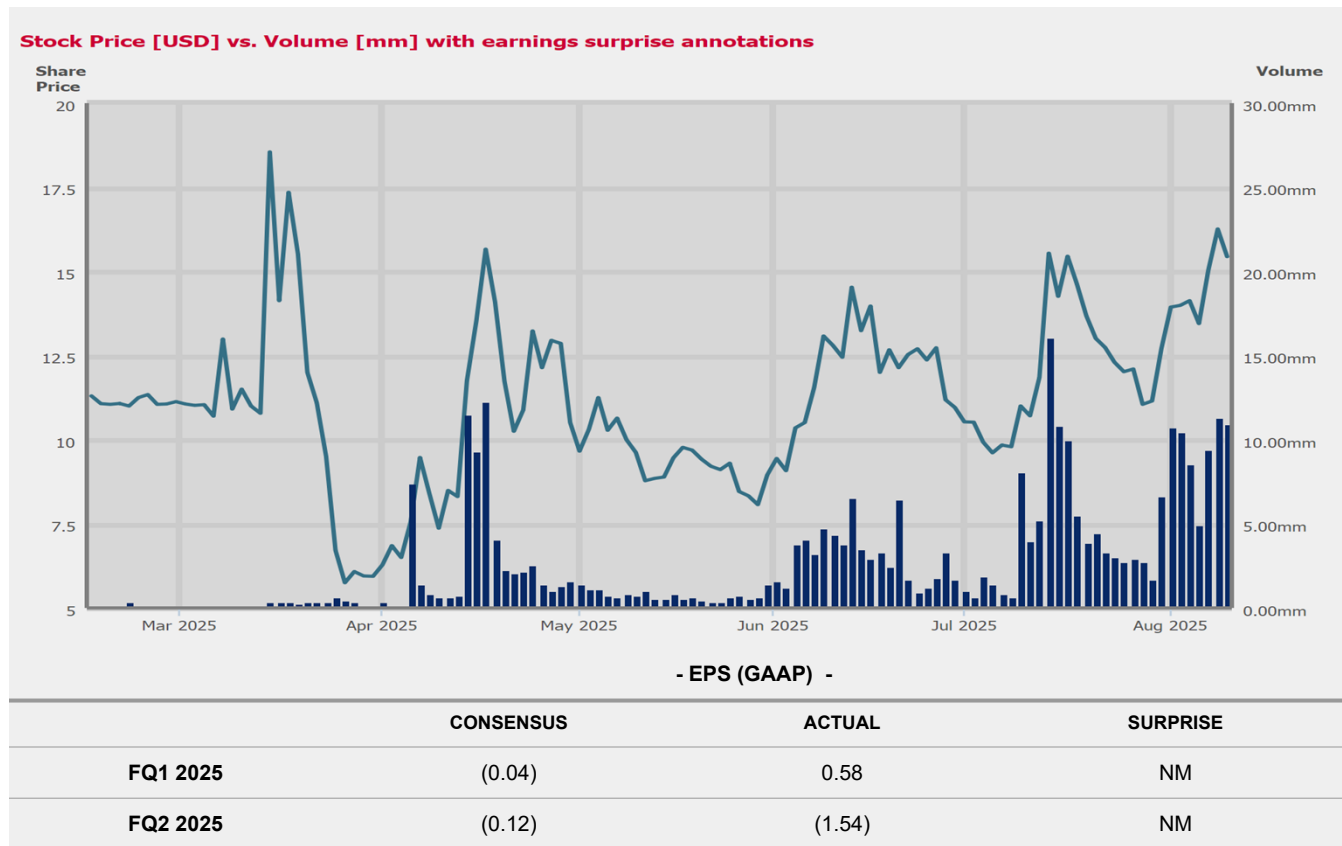


Table of Contents

Call Participants	3
Presentation	4
Question and Answer	8

Call Participants

EXECUTIVES

Joshua Ballard

Lionel C. McBee

Vice President of Investor Relations

William Robert Steele

Chief Financial Officer

ANALYSTS

Drew Tyler Nordquist

*Cantor Fitzgerald & Co., Research
Division*

Suji Desilva

*ROTH Capital Partners, LLC, Research
Division*

Presentation

Operator

Good day, everyone, and welcome to the USA Rare Earth Second Quarter 2025 Earnings Conference Call. [Operator Instructions] Please also note, today's event is being recorded. At this time, I'd like to turn the floor over to Lionel McBee, Vice President of Investor Relations. Sir, please go ahead.

Lionel C. McBee

Vice President of Investor Relations

Thank you, operator. Hello, everyone, and welcome to USA Rare Earth's 2025 Second Quarter Earnings Conference Call. I'm joined today with our Chief Executive Officer, Joshua Ballard; and our Chief Financial Officer, Rob Steele. Earlier this afternoon, we issued our second quarter fiscal 2025 results. Our results, earnings release and slide presentation can be found on the Investor Relations portion of our website at usare.com.

Today's call, we may make projections and other forward-looking statements under the safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995 regarding future events or the future financial performance of the company. These statements may discuss our business, economic and market outlook, growth expectations, new products and their performance, cost structure and business strategy.

Forward-looking statements are based on information currently available to us and on management's beliefs, assumptions, estimates or projections. Forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors.

We refer you to the documents the company files from time to time with the SEC, specifically the company's Form 10-K and Form 10-Qs. These documents identify important factors that could cause actual results to differ materially from those contained in our projections or forward-looking statements.

All statements made during this call are made only as of today, August 11, 2025. And the company expressly disclaims any intent or obligation to update any forward-looking statements made during this call to reflect subsequent events or circumstances, unless otherwise required by law.

So with that, I'll turn the call over to Josh.

Joshua Ballard

Thank you, Lionel. It's been another exciting quarter in the rare earth mineral and magnet industries. And before providing perspective on the broader sector developments, I want to emphasize our vision for USA Rare Earth.

We are focused on building a highly profitable and fully integrated supply chain from mining, concentrating and separating rare earths to making metals and metal alloys to forming and finishing rare earth magnets and finally, to end-of-life recycling. We are on a mission to serve a broad array of customers who use, rely on and innovate with metals and magnets across diverse industries and all their varying complexities.

We are accelerating development across each of our existing assets while also actively exploring how we will fill in and strengthen any gaps in that mine-to-magnet strategy while remaining focused on creating shareholder value.

Our magnet production facility in Stillwater, Oklahoma is making rapid and tangible progress and remains on target with our commissioning goals. Both our magnet facility in Oklahoma and our research and development facility outside of Denver continue to attract the brightest mines. And our highly strategic heavy rare earth Round Top deposit in Texas remains uniquely positioned for its incredible concentration of heavy rare earths and gallium.

Taking a step back, the Chinese government continues to restrict the export of rare earth metals and magnets by their domestic producers, and this is having a profound impact on the multitude of industries that rely on these materials. The cost of rare earth oxides and metals outside of China have increased dramatically, especially for the difficult-to-obtain heavy rare earths, tightening supply.

We are hearing directly from many of the companies affected by China's restriction on the export of rare earth elements and neo magnets and are working as quickly as we can to address their growing needs. Companies are reaching out to us directly to gain access to domestically sourced magnets for the long term, and they have been clear that they require a non-China source of supply.

Importantly, the U.S. government has demonstrated its intention to play a key role in supporting the development of the supply chain that we are seeking to develop. The U.S. government investment in MP Materials is an important first step to derisking the sector and has shined a much-needed spotlight on the importance of rare earths and rare earth magnets to American industry, technologies and national security.

By announcing a price support mechanism to purchase the critical light rare earth mineral oxide NdPr at \$110 per kilogram, which they recently publicly stated that they plan to replicate, the Trump administration has established an essential tool that will enable us to compete effectively with Chinese producers.

At USA Rare Earth, we have a special mix of assets and capabilities that we are leveraging with great effect as we accelerate our own activities in this exciting new world. We have raised the capital we need to begin investing aggressively. We are looking now at ways to advance our plans as quickly as possible, which I believe is our greatest path to value creation for this company, our shareholders and customers.

Before I dive into the operational details, let's turn the call over to Rob for a review of our financials.

William Robert Steele
Chief Financial Officer

Thanks, Josh. Let me begin with our cash position, which stands at \$128.1 million as of August 7, 2025. We are one of the best capitalized companies in the sector and have ample cash to support the initial capital expenditures of our first 600 metric ton phase of magnet production. This includes inflows of \$22 million from warrant exercises and \$17.5 million from the completion of our forward purchase agreements, reflecting the strength and liquidity of our equity.

Since our last call, we've continued executing on our strategic plan, advancing our facility build-out and expanding our team across key functions. In the first half of the year, we deployed \$6.3 million in capital expenditures and grew to approximately 50 full-time employees.

Looking ahead, the remainder of 2025 marks a critical inflection point. We anticipate spending at least \$60 million in CapEx to support Phase 1 and plan to double our workforce to around 100 employees.

Most new hires will be based at our Stillwater, Oklahoma facility, focused on operations and highly specialized engineering alongside strategic additions in sales, marketing and corporate functions. We're also enhancing our core infrastructure, including systems and cybersecurity, to ensure operational readiness by early next year.

As our commercial pipeline expands, we are aligning our capital deployment with customer demand, prioritizing capabilities and technologies that position us for long-term success. Our recent MOUs with Moog and ePropelled underscore our intent to expand into high-growth sectors like data centers and drones, which are expected to double or triple in size over the next decade.

These industries drive digital and physical AI as well as next-generation defense systems and require massive quantities of precision-engineered micro magnets with advanced surfacing, capabilities we are actively developing as we look to the industry's future needs.

We're also preparing to secure the metal inventory needed to support projected growth in 2026 and beyond. While we're not yet providing formal revenue guidance, we are planning to produce 200 to 500 metric tons of neo magnets next year, with the flexibility to scale further if needed. Our sourcing strategy incorporates both mined and recycled non-China-based feedstock, and we're laying the groundwork for sustained supply into 2027.

In Q4, we'll begin testing our magnet manufacturing line in Stillwater, a key milestone that will allow us to validate our supply chain, train our workforce and qualify raw materials on a commercial scale equipment. These efforts paved the way for commissioning in Q1 2026.

On expenses, we continue to expect ongoing operating costs to average \$8 million to \$9 million per quarter through year-end, with a heavier spend anticipated in Q4 as we ramp.

For the second quarter of 2025, we reported an operating loss of \$8.8 million, which includes \$1.8 million in accruals related to the [Kleiner] litigation, an overhang we resolved immediately following quarter end. This compares to a \$3 million operating loss in Q2 2024, primarily driven by increased SG&A associated with our merger and early team expansion.

R&D expenses rose year-over-year, reflecting our continued commitment to advancing the Round Top joint venture flow sheet and building differentiated capabilities for future phases.

We reported a net loss attributable to common stockholders of \$142.5 million or \$1.54 per share. This includes a noncash fair value adjustment of \$134.7 million related to financial instruments. Excluding this, our net loss was \$7.8 million or \$0.08 per share, which we believe is a more accurate reflection of our core operating performance.

Going forward, we will provide this adjustment to facilitate your analysis of our results. We ended the quarter with \$121.8 million of cash and no significant debt, positioning us well to execute on our near-term milestones.

In summary, we remain financially strong and are deploying capital with discipline to support scalable long-term growth. We continue to evaluate funding options for future phases, and we expect our cost of capital to improve as we execute, potentially including nondilutive government funding opportunities.

I'll now turn it back over to Josh for our operational update.

Joshua Ballard

Thanks, Rob. Let's start with an update on our centered neo magnet business in Oklahoma, where we are making tremendous progress towards producing and shipping our first magnets in early 2026.

Our infrastructure work is ahead of schedule and fully on track to be completed before the end of the year. We've begun to commission our equipment in Stillwater, and this work will accelerate in the third and early fourth quarters.

Our current target is to achieve the critical milestone of producing magnet blocks from our centering furnace before year-end. Our finishing equipment is still set to arrive on schedule in the first quarter. We are also making significant progress on the operational and quality systems we will need as we move to production.

We have also exceeded our own expectations with hiring as we ramp up our team in anticipation of production early next year across key manufacturing, highly specialized engineering, sales and back-office staff.

Our effort to bring a rare earth mine-to-magnet value chain back to America has resonated deeply with our potential candidates. Importantly, we are finding success in hiring key magnet expertise for our innovations lab, which is critical as we work through the qualification processes of our key customers and then translate that work in the lab to full-scale production.

On the customer side, we are currently engaged with over 70 companies across a variety of industries such as aviation, defense, energy, industrial equipment, car manufacturing, automotive supply, shipbuilding, robotics, mobile phone companies, among others.

While we have publicly announced 4 agreements across the consumer defense and automotive industries to date, I'm excited to disclose that we have now signed a dozen MOUs and joint development agreements. These agreements alone imply nearly 300 tons of annual shipments and include industries such as oil and gas, automotive supply and other industrial uses.

Our high confidence commercial pipeline exceeds 2,000 tons of annual production, highlighting robust market demand that could fully book our first line before it's even at full capacity.

Overall, we've identified roughly 5,000 to 7,000 tons of potential demand, which does not yet include all the volume at each of these customers, with demand coming from both the United States as well as Europe. The majority of this demand is made up of small- to medium-sized customers, which we estimate could make up more than 70% of the market.

Similar to the announcement from MP, we are talking to potential defense customers every day. And of course, we continue to talk to large EV manufacturers as we plan out our future lines.

We are just beginning to tap into what we believe is a once-in-a-generation reshoring opportunity. As we put further pieces of our business in place, you will see us accelerate our sales process, which we will update you on in future calls.

To summarize, we continue to make tangible progress and remain on track with our magnet business. We're excited by the overwhelming response we are seeing from customers across the country and in Europe to what we are building. We're also pleased

that customers understand the unique value proposition we provide compared to our peers in the market, namely our focus on customer diversity and high-value product complexity across their magnet specs.

As we move to the critical phase of our plant build, our sales team is focused on signing contracts and filling out our backlog for 2026, truly exciting times in our magnet business.

Now let's now turn to our Round Top deposit and the processing engineering work underway with our team outside of Denver, Colorado, which is key to our long-term strategy.

As I mentioned in my introductory remarks, we have been investing in the processing capabilities now for nearly 5 years. This is a critical capability that is not isolated to our work with Round Top Mountain, but can be leveraged in other areas of our supply chain as we look to secure oxides for the future scaling of our business.

We are committed to building out a reliable and cost-effective supply of oxides for our future growth. Our strategy and approach could include working with concentrates from other deposits in addition to Round Top as well as recycling or working hand-in-hand with other processors.

With regards to our own development, I'm pleased to report that we have made great progress this past quarter in separating out our bulk gallium as well as heavy and light rare earths into separate concentrate streams. While we are still fine-tuning these processes, we are now also turning to the work of extracting the individual minerals from solution to separation stage as well as on the recycling of the acids and reagents we need to run a clean operation while reducing costs.

Our team remains confident in our engineering approach and in the technical viability of our work separating these critical heavy rare earths and other tech metals. We have added critical members to our team with immense experience in rare earth extraction.

In addition, we commend the Trump administration's bold price support actions, which underscore the national urgency around rare earth dependence, a mandate that Round Top Mountain is uniquely positioned to deliver on. I look forward to updating you more on our work in Denver moving forward.

In closing, our goal is to be the leader in the ex-China rare earth supply chain. We are taking a bold and broad-based approach to this layered and complex market to provide the greatest value to our customers and shareholders.

The U.S. will face a major deficit of rare earth metals and magnets in the coming years without multiple solutions to the set of problems we face, and we are uniquely positioned to be a cornerstone of these solutions due to our significant deposit of heavy rare earths in [Gallatin], Texas, which is unique in the United States; our ability to scale quickly to 5,000 tons capacity in our existing magnet facility, starting with the commissioning at scale of our first line beginning in early 2026, only a few short months away.

Our strong balance sheet with no debt and nearly \$130 million of cash, positioning us to be a consolidator in the industry. We see several attractive areas for high-return growth, both organically and via acquisition. And finally, our focus on investing where necessary across the supply chain to ensure that we have the feedstock that we need.

Recent geopolitical moves and government support for the domestic industry as well as feedback from customers and suppliers globally has only reaffirmed this strategy. We believe we are well on our way to achieving our mission of becoming a strategic and valuable national asset. I look forward to keeping you updated on our progress in the coming months.

Let's move to Q&A.

Question and Answer

Operator

[Operator Instructions] Our first question today comes from Derek Soderberg from Cantor Fitzgerald.

Drew Tyler Nordquist
Cantor Fitzgerald & Co., Research Division

This is Drew Nordquist calling for Derek Soderberg. I do have a few questions, but my first question is regarding the supply chain. I think you guys said that you should have enough supply to last until 2027. I was wondering if that roughly equates to supplying that first 1,200 ton production line.

Joshua Ballard

That's right. Yes, that's exactly right.

Drew Tyler Nordquist
Cantor Fitzgerald & Co., Research Division

It is. Okay. And then more focused on the mining operations. I know you guys did a preliminary economic analysis around the Round Top mine. Everything looks good there. I'm just wondering if there's an updated timeline on when the feasibility study could be expected to be done.

Joshua Ballard

No updated timeline today. What we did talk about last quarter was that we're targeting to build a pilot plant over the next couple of years. In order to build that pilot plant, kind of it's contingent on us getting through our flow sheet and pre-feasibility study within that time frame. So that's what we're targeting. Now the work we're doing now is what's going to define whether or not we keep to that target or not. So that's something we'll keep you guys updated on in the coming months.

Drew Tyler Nordquist
Cantor Fitzgerald & Co., Research Division

All right. Sounds good. My next question is your MP Materials secured a floor price in their DoD deal for [metal] production. I was wondering if that sort of directly or indirectly benefits you guys at all?

Joshua Ballard

Well, MP has quite a bit of NdPr. Our strength are heavy rare earths. So it doesn't necessarily help us directly at this time. But where I believe it sends a strong signal and what we take is a great positive from the Trump administration is that they're willing to do price support. So I would expect them to expand that as they look at the broader industry.

I think they know they haven't solved heavy rare earths yet. MP does not have a strong heavy rare earth deposit. And so I believe that they're going to be looking at expanding that. And my expectation, we would see similar things, not only rare earth but also other minerals probably as well.

Drew Tyler Nordquist
Cantor Fitzgerald & Co., Research Division

Okay. And my final question is just regarding cash burn. Do you guys think your current cash level can sustain you up to a full 4,800 ton production or just sort of for that first 1,200 production line before you need any additional funding?

William Robert Steele
Chief Financial Officer

Yes. So what we've said previously is that the full 4 lines from a CapEx standpoint is at least \$250 million and an additional \$50 million to \$100 million of working capital. And our current cash balance right now is north of \$130 million actually. So clearly, we will need to raise more capital.

But having said that, we have about \$280 million plus in unexercised warrants already on our balance sheet. And as you've seen, our capital position has grown over the last 3 months here since we executed the pipe, and that's mainly because of the exercise of our warrants. So we feel like we're in a good position.

Operator

[Operator Instructions] our next question comes from Suji Desilva from ROTH Capital.

Suji Desilva

ROTH Capital Partners, LLC, Research Division

Josh, congrats on the progress here. I'm trying to understand on the equipment. I think I heard you say you're putting some of the equipment in 1Q '26. I guess some of that will come in even as the line starts to produce. I'm just curious on the time frame there. And the CapEx \$60 million you said, will that -- the bulk of that occur in calendar '25? Or is that spread over the next few years?

Joshua Ballard

Yes, I'll take the first half, and Rob can take the second.

So right now, what we're commissioning is what I'd call the backbone. It's everything from where we get strip cast metal, the pieces of metal all the way through the centering furnace, where we would have magnet blocks come out of the centering furnace ready for finishing and coating and so forth. That is what we're commissioning actively now and what we're focused on getting commissioned by the end of the year.

The finishing and equipment and coating equipment is what arrives next year and allows us to finish out the line. So much of that is arriving in throughout the first quarter, and then we'll be commissioning throughout the first quarter to get into our finishing phase.

Rob, do you want to take the second half?

William Robert Steele

Chief Financial Officer

Yes, sure. In terms of the CapEx, as we said, we expect another \$60-plus million this year. That is the bulk of the first phase of Line 1.

Suji Desilva

ROTH Capital Partners, LLC, Research Division

Okay. Great. And then I think, Joshua, you referred to an inorganic element of your strategy. Can you just talk about what that -- some of that may entail strategically? Is it tack on increasing sort of demand geographic perhaps in terms of sourcing or technical capabilities? Any color there would be helpful.

Joshua Ballard

Yes, sure, you bet. I mean, I think when you look across the supply chain from mine deposit to processing to metal making, strip casting all the way to magnets, what we're looking at is how we can fill in and strengthen any gaps we have and as we look forward, how we can make sure that we're covering our own scaling as we grow.

So I really look at it in three pieces. One is, first, we need to build scale, right? And we need -- second, we need that certainty of supply as we scale. And third is we want to control where we can the portion of the supply chain just from a profitability perspective, so we can avoid having profit on top of [profit]. So what we'll be looking at is first is how -- and then potentially recycling that can come in on the back end to provide oxides outside of everything else.

So what we'll be looking at first is how we strengthen that supply chain, which would add -- could potentially add new capabilities and it could potentially add just surety on supply. This could be acquisitions. This could be joint ventures.

This could be investments in our partners in other ways to ensure that we're locked and loaded for '26, '27 and onward because generally, this industry is pretty undercapitalized outside of China. So we know we're going to need to invest to make sure that the capital is there so that we can scale. That's the goal.

Suji Desilva

ROTH Capital Partners, LLC, Research Division

Makes sense. Last question, and I'll pass it on. In terms of the end-market applications, there are some pretty large volume technical applications emerging right now, obviously, data center, but then beyond that, drones, humanoid robots.

I'm just curious as more generally, your ability to handle these customer requests for investigating customized magnets for them, how that scales to be customer-specific and tackle all these? Do you have to kind of stagger these so you can meet the initial requests? I'm curious whether some of these can be near term or more longer-term opportunities.

Joshua Ballard

Yes. So and you've cited a few that we've announced, right, drones and other areas. And it's a wide range of sizes in particular. And we'll be investing in the equipment we need to support them. These customers tend to congregate into general sizes and general shapes that we can hone in on. So it's not like it's bespoke for every customer. But some of it will get phased in.

So it's not all going to be ready when we -- what we're commissioning in the first quarter going into the second quarter as we start to commission and ship is not necessarily going to be all these capabilities. Some of those capabilities we will be adding in midyear. I think I talked last quarter about the fact that we'll be starting out with about 600 tons capacity, and then we'll be increasing that to 1,200 tons throughout the year.

So some of that will happen as we're increasing throughout the year, and then some of that could follow on even from there. But we're certainly looking closely making sure, at least from an ROI perspective, that the equipment we're adding has the volume and profitability we need to have a good ROI on what we're investing in. But our goal is to be a broad player to a lot of these customers, who right now don't have a home.

Operator

And ladies and gentlemen, with that, we'll be concluding today's question-and-answer session as well as today's conference call. We do thank you for attending. You may now disconnect your lines.

Copyright © 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2025 S&P Global Market Intelligence.