22 Sep 2026 00:20:52 ET | 9 pages

China Rare Earths

Takeaways from MP Materials (MP.N; Not Covered) on the U.S. Supply-Chain Buildout

CITI'S TAKE

We had a catch-up call with MP Materials today. Martin Sheehan, SVP, Investor Relations, presented on the call. Management targets 6ktpa of NdPr oxide, with normalized cash cost in the high-US$40/kg range versus a US$110/kg government price floor, and expects ~3ktpa of magnet capacity by mid-/late-2027 and ~10ktpa by end-2028. Mgmt believes that a truly mature and commercially competitive U.S. rare-earth supply chain will take well beyond five years, supporting the rationale for 10-year government agreements. The key bottlenecks are refining scale-up, non-China equipment supply, magnet qualification and heavy rare-earth capability. For China rare earths, we see this as reinforcing China's structural advantage in refining, processing know-how and equipment ecosystem, while also supporting the potential for a sustained ex-China pricing premium.

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- **PPA economics:** MP continues to sell NdPr to commercial/internal customers, while the government tops up economics to US$110/kg. In 2Q26, contract pricing averaged ~US$94/kg on ~1kt sales, with roughly US$16/kg of PPA support. The protection also applies to internal transfers to Texas and can be claimed on stockpiled concentrate, although the same material cannot receive the benefit twice. After 10X is commissioned, expected around end-2028, MP will share 30% of NdPr pricing above US$110/kg with the government, while receiving about US$140m/year of support for the facility.

- **NdPr ramp and cost:** Management targets 6ktpa of NdPr oxide, with 3Q26 output of ~1kt and an exit-2026 run-rate of ~1.5kt/quarter. Most current output goes to Japan, with some to Korea and another unnamed customer; more volumes will shift internally as magnet production ramps. MP believes cash cost from mining through refined NdPr oxide can reach the high-US$40/kg range, which management views as competitive with leading Chinese producers. The structural advantages cited are ore grade, ore consistency, scale and mine-to-refinery integration.

- **Refining is the core operational bottleneck:** Mining and concentrating represent only ~10% of operating cost, according to management; the difficult step is refining. Current constraints are mainly materials handling

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and equipment—heat exchangers, pumps, valves, calciners, cooling and movement of material between different physical states—rather than the underlying chemistry. Management described the ramp as a “when, not if” issue. MP is also recommissioning a chlor-alkali facility to reduce hydrochloric acid and caustic-soda costs.

- **Supply-chain buildout will take time:** MP expects ~3ktpa of magnet capacity by mid-/late-2027 and ~10ktpa by end-2028, including the 7kt 10X facility. However, management does not believe a mature U.S. rare-earth ecosystem can be established within five years. MP currently sources strip casters from Japan, die presses from Germany and sintering equipment from Italy, with some machinery requiring redesign for rare-earth magnet production. This longer development cycle is one reason the government support framework is structured over 10 years, per MP.

- **Magnet ramp:** GM is expected to take ~1ktpa and Apple close to 2ktpa. MP has shifted from prototype-scale GM magnet production toward commercial-scale equipment and is now focused on high-rate production, consistency and automotive qualification. Management targets final GM approval in 4Q26, followed by modest saleable magnet shipments.

- **Heavy rare earths:** MP is commissioning a 200tpa Dy/Tb circuit, expected online by year-end, with output initially used internally in Texas. Samarium is targeted for 2028 and gadolinium thereafter. The recently signed gadolinium agreement with a U.S. aerospace customer is worth >US$800m and priced at a multiple of Chinese market levels, highlighting the potential premium for secure ex-China supply.

- **Strategic positioning and demand:** Management believes today’s U.S. bottleneck is magnet manufacturing, but as more magnet capacity comes online, the constraint should quickly shift to refining, which it sees as the most capital- and operating-intensive step. Longer-term demand growth is expected from datacenters, drones and robotics in addition to autos; management estimates a 1GW data center could require ~100–200 tonnes of NdFeB magnets.

- **Implications for China rare earths:** China's advantage remains in refining scale, process know-how, low-cost chemicals and equipment supply. With Western supply chains likely to take more-than-five-year to mature, ex-China material may continue to command a structural premium.

