SPECIALTY MATERIALS | NYSE | INDUSTRIAL METALS & MINING

Materion Corporation (MTRN)

MTRN US Equity | Mid-Cap Industrial | NYSE — USA | April 2026

Key Analytical Findings

Our analytical view on Materion Corporation ("Materion" or "the Company") is **cautious asymmetry**, with a Base Case Fair Value of **USD 170 / share**, implying –9% probability-weighted expected return from the current USD 185.89. Materion's strategic sole-source U.S. beryllium position is genuine, but the stock has run +123% from its 52W low and now trades meaningfully above DCF (USD 158), the all-peer mean fair value (USD 160), and every sell-side target (mean USD 178). The Q4-2025 operating-income collapse to USD 4.9M (1.0% margin) is a fresh red flag for the FY26 EPS-doubling thesis.

- **Strategic sole-source U.S. beryllium position.** Operates the only commercial bertrandite ore mine and refinery in the United States — a designated critical material for defense electronics, nuclear instrumentation, and aerospace. Replication cost is prohibitive.
- **Operating margin compressed in FY25.** Op income fell from USD 134M (FY24) to USD 113M (FY25), a 15.4% YoY decline. Operating margin slipped 160bp from 7.9% to 6.3%.
- **Q4-25 Op income collapsed to USD 4.9M** (1.0% margin) on USD 489.8M revenue (highest of FY25) — gross margin fell 640bp QoQ to 13.0%. Either inventory, pricing, or mix issue.
- **Stock above every reference point.** Current USD 185.89 vs DCF USD 158, peer-mean fair value USD 160, sell-side mean target USD 178, sell-side high USD 185. Limited cushion.
- **Insiders are net buyers, but smaller scale than aerospace peers.** +42,410 net shares last 6m (31 buy / 9 sell) — directionally positive but small in dollar terms (~USD 7M).
- **FY26E EPS USD 6.33 (+77% YoY).** 5-analyst consensus implies a sharp recovery; if Q4 trough was structural rather than one-off, this estimate will migrate down.

ABI ANALYTICAL VIEW

Cautious

Asymmetry

Current Price	USD 185.89
Base Case Fair Value	USD 170
Expected Return (Prob-Wtd)	–8.6%
Bull Case Scenario	USD 215
Bear Case Scenario	USD 130

STOCK DATA	
Market Cap	USD 3.87 Bn
Enterprise Value	USD 4.38 Bn
Shares O/S	20.8 Mn
Free Float	~98%
52W High / Low	187.49 / 70.94
Avg Vol 3M	221.7 K
Beta (5Y)	0.91
Div Yield	0.30%

Valuation Multiples

	FY24A	FY25A	FY26E	FY27E
P/E (x)	n/m	51.8	29.4	25.3
EV/EBITDA (x)	37.0	24.2	17.9	15.5
EV/EBIT (x)	32.7	38.7	22.3	18.5
P/Sales (x)	2.30	2.16	1.91	1.78
Div Yield (%)	0.36	0.30	0.30	0.32

1. Sole-Source U.S. Beryllium | The Defense Setup

Materion's most valuable asset is its position as the only commercial U.S. producer of beryllium and beryllium products, with the bertrandite mine and refinery providing fully integrated upstream feedstock. This is a designated DoD critical material and a genuine moat — replication requires permitting, capital, and chronic-beryllium-disease (CBD) operating expertise that a new entrant could not assemble in less than 15 years.

The DPA Title III / DoD Critical-Material Context

Beryllium is listed on the Department of Defense's strategic and critical materials list and on the Defense Logistics Agency's National Defense Stockpile inventory. The DPA Title III appropriations for FY2024 and FY2025 explicitly included beryllium hydroxide and copper-beryllium alloy capacity expansion as eligible programs, providing a tail of non-cyclical demand independent of commercial aerospace and semiconductor cycles. Materion is the single domestic counterparty for these awards.

Defense Electronics Demand Drivers

The current cycle benefits from a confluence of defense electronics demand: rad-hardened components for satellite and space-based systems, precision optics for Aegis radar and missile-guidance systems, and high-purity beryllium products for nuclear instrumentation. Three sell-side actions in the last 90 days cite this as the constructive catalyst — Baird initiated Outperform Apr-1-2026, KeyBanc upgraded to Overweight Jan-14-2026, while Seaport Global downgraded to Neutral on Jan-23-2026 in dissent. The four operating segments — Performance Materials, Electronic Materials, Precision Optics, and Other — provide diversification beyond beryllium specifically.

> **Why replication is prohibitive (1):** Permitting a new bertrandite mine on US soil requires NEPA-level environmental review, mineral rights consolidation, and chronic-beryllium-disease (CBD) workplace controls under OSHA permissible exposure limits. Brush Engineered Materials (Materion's predecessor) accumulated this expertise over 30+ years.

> **Why replication is prohibitive (2):** Qualifying as a beryllium supplier to DoD primes (Lockheed, RTX, Northrop, Boeing Defense) requires 5+ year LTAs and DFARS-compliant supply chain audits. New entrants cannot accumulate qualifications without first having scale.

> **Why replication is prohibitive (3):** CBD liability is a chronic operational risk that requires multi-million-dollar reserves and ongoing medical surveillance of all workforce who have worked with beryllium dust. New entrants would face years of accumulated reserve build before producing revenue.

2. Business & Moat

Business Summary

Materion Corporation is a Mayfield Heights, OH-headquartered producer of advanced engineered materials, with 2,880 employees and operations in the U.S., Asia, and Europe. The company was founded in 1921 (originally as Brush Engineered Materials, renamed in 2011). Operating across four segments: **Performance Materials** (beryllium & non-beryllium alloys, ToughMet, SupremEX composites), **Electronic Materials** (vapor deposition targets, microelectronics packaging, precious metal pre-forms), **Precision Optics** (thin-film coatings, optical filters, assemblies), and **Other** (specialty chemicals, hydroxide refining services). End markets span semiconductor, aerospace & defense, automotive, medical / life sciences, energy, consumer electronics, and industrial.

Revenue Engines

ENGINE	~% FY25 REV	GROWTH	TREND
Performance Materials – Beryllium & specialty alloys	~30%	+MSD	Defense ramp
Performance Materials – ToughMet & engineered metallics	~12%	+LSD	Stable
Electronic Materials – Vapor deposition targets (semi)	~28%	+HSD	Recovering
Electronic Materials – Microelectronics / precious metal	~12%	+MSD	Steady
Precision Optics – Coatings / filters / assemblies	~10%	+MSD	Defense ramp
Other – Specialty chemicals / refining services	~8%	+LSD	Steady

Moat Scorecard (7 Factors)

FACTOR	SCORE (0–10)	TREND	EVIDENCE
Intangibles / Brand	7	Stable	Recognized specialty brand in defense / semi vendor pool; 100+ year operating history
Switching costs	8	Widening	Beryllium qualification + regulatory CBD compliance lock incumbent share; aerospace LTAs are 5+ years
Network effects	2	Stable	Limited; specialty B2B
Cost advantage / scale	6	Stable	Mid-scale specialty producer; some segments are capex-heavy with thin operating leverage
Efficient scale / regulatory	9	Stable	Sole U.S. bertrandite mine + Be refinery — designated critical-material sole source
Data / process technology	6	Steady	Decades of CBD-handling, precision optics IP, advanced powder metallurgy
Regulatory / IP	7	Stable	FAA / DoD-qualified supplier status; nuclear-grade qualifications

Compounder vs. Ice Cube

Materion is a **moat-led specialty compounder with cyclical operating-income volatility.** The sole-source U.S. beryllium position is structurally durable, but the four-segment portfolio is exposed to the semiconductor capex cycle (Electronic Materials), aerospace OEM cycle (Precision Optics), and defense procurement cycle (Performance

Materials). Through-cycle ROIC has been low single-digit to high single-digit, well below specialty-alloy peers like Carpenter Technology or ATI Inc. We classify MTRN as a "wide but narrow" moat: the beryllium asset is irreplaceable, but the rest of the business sells on engineering merit in competitive markets. The cautious view stems from margin compression, not moat erosion.

3. ABI AI-Composite Scorecard

Composite read across business quality, financial health, valuation, sentiment, and capital allocation. Trained on 5y of 10-K, 8 quarters of 10-Q, and live market data.

Business Quality & Moat	7.8 / 10

Sole U.S. bertrandite mine + Be refinery (yf-info); 4 segments (XBRL: NumberOfReportableSegments); 1921 founded.

Financial Health	6.5 / 10

D/E 57.3%; current ratio 3.11x; OCF $103M FY25; LT debt $444M (was $36M FY20) (XBRL: LongTermDebt).

Profitability & Returns	5.2 / 10

EBITDA mgn 10.3% (peer median 9.8%); ROE 8.26%; ROA 4.12%; ROIC declining post-acquisition.

Capital Allocation	5.5 / 10

$523M acquisitions FY22-23; capex stepped from $27M to $80M+ (XBRL); 0.30% div yield; light buyback ($7.8M FY25).

Valuation	3.2 / 10

P/E 51.8x trailing; 25.3x forward; EV/EBITDA 23.7x; vs. peer median 10.8x; vs. specialty alloy median 29.2x.

Sentiment & Momentum	8.2 / 10

+123% from 52W low; 3 of 4 analysts at Buy or Strong Buy; insiders +42K shares net 6m.

Composite: 6.1 / 10 — Quality at a Stretched Setup

Sole-source U.S. beryllium position is a real moat. R&D doubled in 9 years ($12.8M FY16 → $29M FY24) and operating income tripled ($45M FY15 → $136M FY24). But the +123% one-year price move has pulled valuation past every sell-side target ($178 mean) and to 23.7x EV/EBITDA on 10.3% margins — a level only ATI/CRS justify with 18–24% margins. **Q4-25 op income $4.9M** (vs $31–39M Q1–Q3) is a concrete risk to the FY26E EPS $6.33 (+77%) recovery thesis.

Composite formula = 0.20·BusQuality + 0.15·FinHealth + 0.20·Profitability + 0.15·CapAlloc + 0.15·Valuation + 0.15·Momentum = 6.1.

4. Financials Snapshot

6-Year Financial Snapshot (USD Mn / % unless noted)

	FY20	FY21	FY22	FY23	FY24	FY25	FY26E
Revenue	1,176	1,511	1,757	1,665	1,685	1,787	~2,020
Gross Margin %	16.4	18.8	19.6	21.0	19.3	17.3	19.5
EBITDA	~60	~140	178	201	118	181	~245
Op. Margin %	0.7	5.1	6.9	8.2	7.9	6.3	8.5
Free Cash Flow	~50	~80	38	25	7	24	~75
ROE %	2.5	9.2	10.7	10.8	0.7	8.3	~13
Net Debt / EBITDA (x)	~1.5	~3.0	2.4	2.1	3.6	2.5	~1.8
Diluted EPS (USD)	0.74	3.49	4.14	4.58	0.28	3.58	6.33

Earnings Quality

QoE score **65/100**. Earnings quality is mixed. FY24 GAAP NI of just USD 5.9M reflected ~USD 90M of impairment / restructuring charges, distorting trailing P/E and ROE. FCF conversion is persistently thin: USD 24M FY25 on USD 1.79B revenue (1.3% conversion). Working-capital intensity is high (inventory buildup in beryllium and Performance Materials) and the H.C. Starck acquisition (FY22-23) added intangible amortization. **Q4-2025 operating margin of 1.0% on highest-quarter revenue of USD 489.8M is the standout quality flag.** If Q4 reflects a structural cost or pricing reset rather than a year-end true-up, the FY26E recovery thesis is at risk.

Quarterly Trend | Last 5 Quarters

QUARTER	REVENUE	OP INCOME	OP MARGIN	NET INCOME	DILUTED EPS
Q4 2024	$436.9M	$37.0M	8.5%	−$48.9M	−$2.35
Q1 2025	$420.3M	$31.3M	7.5%	$17.7M	$0.85
Q2 2025	$431.7M	$38.4M	8.9%	$25.1M	$1.21
Q3 2025	$444.8M	$38.6M	8.7%	$25.4M	$1.22
Q4 2025	**$489.8M**	**$4.9M**	**1.0%**	**$6.6M**	**$0.31**

5. Capital Allocation & Management

Capital Allocation (5-Yr Avg % of CFO)

BUCKET	% OF CFO	COMMENTARY
Capex	~80%	Performance Materials & Electronic Materials capacity; capex was USD 120M FY23 peak
M&A (H.C. Starck)	~25%	USD 523M of acquisitions FY22-FY23 funded by debt; integration overhang in FY24 GAAP NI
Dividends	~10%	~USD 11M / yr, modest yield 0.30%
Share buybacks	~5%	Light; USD 7.8M in FY25 only
Deleveraging	~−20%	Long-term debt rose from USD 36M (FY20) to USD 444M (FY25)

Verdict: Capex- and acquisition-heavy. Capital return is modest. The H.C. Starck deal (acquisition spend USD 392M FY23 alone, per EDGAR XBRL) was the largest post-Covid capital deployment and is the largest watchpoint — synergies are running at the operating-income line but GAAP earnings show the integration cost.

Say-Do Scorecard (Trailing 12 Quarters)

DIMENSION	SCORE (0–100)	GRADE
Promise Hit Rate (MET + EXCEEDED)	62	C+
Credibility Under Pressure	68	B
Governance / Incentive Alignment	72	B+
Composite Management Score	**67**	**B**

Recent Beats / Misses (Top-3 Each)

Beats: (i) Performance Materials margin held in FY25 despite revenue mix shifts; (ii) Defense beryllium volumes inflected positively H2 FY25; (iii) Operating cash flow doubled FY24→FY25 ($88M → $103M).

Misses: (i) Q4-FY25 op income collapse ($4.9M vs run-rate $31–39M); (ii) FY24 GAAP NI of $5.9M on $90M impairment — communication around H.C. Starck integration was poor; (iii) FY25 op income declined 15.4% YoY.

6. Forward View & Growth Signals

Growth Signals (Top 7)

SIGNAL	TYPE	TRAJECTORY	SCORE
Defense beryllium demand (rad-hard, precision optics)	Structural	Accelerating	8
Semiconductor capex recovery → vapor deposition target volumes	Cyclical	Recovering	7
Precision Optics defense / aerospace ramp	Structural	Emerging	7
FY26E EPS $6.33 (+77% YoY) recovery	Operational	Forecast	6
H.C. Starck synergy realization	Operational	Steady	5
Capex moderation → FCF unlock	Operational	Latent	5
Insider buying signal (+42K shares net 6m)	Sentiment	Steady	5

Near-Term Momentum

Sentiment is positive but more divided than peers. **3 of 4 analysts** rate Buy or Strong Buy (1.75 mean recommendation — note: these are sell-side firm ratings, not ABI). Recent sell-side activity is constructive: Baird init Outperform Apr-1, KeyBanc upgrade to Overweight Jan-14, Seaport Global downgrade to Neutral Jan-23 (the dissent). Insiders have purchased net +42,410 shares in last 6 months (13.4% net change of insider holdings). Recent press: Simply Wall St. "Higher Price Targets Meet Execution Risks" (Apr-24); "99% one-year price surge" (Apr-3). **Q1 FY26 print expected ~Apr 30, 2026** — the single most important near-term catalyst.

7. Risk Pressure Heatmap & Scenarios

CATEGORY	SEVERITY	TRAJECTORY	NOTES
Q4-2025 Op income collapse to $4.9M (1.0% margin)	High	Watching	Q1-FY26 print is the verdict; if Q4 was structural, FY26 EPS $6.33 is at risk
Stock above every reference point (DCF / peer / sell-side)	High	Stable	Multiple compression risk; sell-side mean $178 below spot $185.89
Stock has nearly doubled in 12m	High	Stable	+123% from 52W low; mean reversion possible
FCF persistently thin (1.3% of revenue)	Medium	Stable	FY25 $24M; capex moderation needed for FCF recovery
H.C. Starck integration overhang	Medium	Easing	Operating income shows synergies; GAAP NI shows write-down risk
Beryllium / CBD regulatory tail	Medium	Stable	OSHA permissible exposure limits; CBD claims fully reserved per disclosure
Aerospace / defense customer concentration	Medium	Stable	Multi-program exposure; diversified across segments
Net debt $445M (D/E 57%)	Low	Stable	Net debt / EBITDA 2.5x; manageable; covered by $103M OCF

Aggregate Risk Pressure: 64 / 100 — "Moderate-High." Three "high" risks all center on valuation and FY25 execution; partially offset by strategic Be moat, sell-side support, and net insider buying.

Bull / Base / Bear Summary (3-Year View, FY26-FY28)

CASE	REV CAGR	FY28E EPS	EXIT P/E	PROBABILITY	3-YR SCENARIO VALUE
Bull (defense Be ramp + Q4 was one-off)	+10%	$9.50	23x	25%	$215
Base (consensus midpoint, gradual recovery)	+7%	$7.80	22x	50%	$170
Bear (Q4 was structural, multiple compresses)	+3%	$5.20	16x	25%	$130
Probability-Weighted Fair Value					**$170**

8. Valuation Triangulation & WACC

METHOD	BASE	BULL	BEAR
DCF (WACC 8.4%, TG 2.5%, FY26E EBITDA mgn 13.0%)	$158	$200	$110
P/E multiple (25x FY27E base)	$178	$230	$130
EV/EBITDA (15.4x FY26E EBITDA $245M)	$160	$215	$105
Specialty alloy peer multiple (28x FY26E EBITDA)	n/a	$320	n/a
Industrial peer multiple (9.2x FY26E)	n/a	n/a	$87
Weighted Triangulation	**$170**	**$215**	**$130**

WACC Build

Risk-free 4.20% (10Y UST, Apr-2026); ERP 5.50%; 5-yr adj. beta 0.91 → cost of equity 9.2%. Pre-tax cost of debt 6.00%, after-tax 4.92% (18% effective tax rate). D/(D+E) ~22% → weighted WACC 8.4%. Terminal growth 2.5% (long-run nominal GDP proxy). Note that ATI / Carpenter trade at significantly lower implied WACC due to better margin profiles; using their WACC for MTRN is not warranted.

Asymmetry Check

Upside to bull	+16%
Downside to bear	−30%
Expected Return (probability-weighted)	**−9%**
Up/Down ratio	**0.5x**

> **Asymmetry note:** MTRN's risk/reward is currently **unfavorable** (0.5x). Probability-weighted expected return is **−9%**, reflecting the market having already priced in a successful FY26 recovery. Even the bull case ($215, +16%) is modest given 30% bear-case downside potential. This is the single most important reason for our cautious analytical view.

9. Peer Comparison

TICKER	COMPANY	MKT CAP ($B)	P/E	EV/EBITDA	EBITDA MGN	ROE	YTD %
MTRN	Materion	3.9	51.8x	23.7x	10.3%	8.3%	+38%
ATI	ATI Inc.	9.2	28.4x	18.1x	17.7%	19.4%	+21%
CRS	Carpenter Technology	6.5	31.2x	22.5x	24.2%	21.6%	+28%
HAYN	Haynes International	1.4	19.8x	11.4x	13.5%	11.2%	+12%
KALU	Kaiser Aluminum	1.2	22.1x	9.8x	7.9%	7.6%	+8%
USAR	US Antimony	0.4	n/m	28.4x	5.4%	−3%	+88%
MP	MP Materials	3.1	n/m	36.2x	14.8%	−5%	+62%
Peer Median (excl. MTRN)		**1.4**	**25.3x**	**18.1x**	**13.5%**	**10.6%**	**+21%**

The EBITDA margin gap is the central valuation question: MTRN trades at 23.7x EV/EBITDA on 10.3% margins. ATI commands 18.1x on 17.7% margins. Carpenter commands 22.5x on 24.2% margins. MTRN's 23.7x is closer to Carpenter's multiple than to its own peers' average — suggesting the market is paying for a margin profile MTRN does not currently earn. Either FY26E margins inflect dramatically toward peer norms (~14%), or the multiple compresses.

10. Final Analytical View & Triggers

Final Analytical View — Cautious Asymmetry

Our analytical view on Materion Corporation is **cautious asymmetry**, with a Base Case Fair Value of **USD 170** (–8.6% probability-weighted expected return from the current USD 185.89). Three things prevent a Constructive view: (i) the stock trades above DCF (USD 158), peer-mean fair value (USD 160), and every sell-side target (mean USD 178); (ii) Q4-FY25 operating-income collapse to USD 4.9M on highest quarterly revenue is a meaningful execution flag that the market has not priced in; (iii) the asymmetry is unfavorable at 0.5x with only +16% to bull case and –30% to bear case. We acknowledge the strategic Be moat is real, insider buying is genuine, and sell-side support is intact — but those are already in the price.

Implications for Position Sizing

The unfavorable asymmetry weighs against new long exposure at these levels; existing holders may consider trimming above USD 200 where bull-case upside compresses to single digits. Equally, the analytical setup does not support a constructive bear view: the moat and FY26E recovery thesis carry real probability of delivering. For non-holders: wait for the Q1-FY26 print on or around Apr 30, 2026, and re-evaluate then.

Triggers That Would Shift View

TRIGGER	DIRECTION
Q1 FY26 print (~Apr 30, 2026) — Op margin ≥ 7%	Shift to Constructive
Q1 FY26 print — Op margin below 5%	Shift to Unfavorable
Defense beryllium order disclosure — concrete DoD / prime contract awards	Shift to Constructive
FCF inflection above USD 60M run-rate	Shift to Constructive
Sell-side estimate revisions — FY26E EPS migrates above USD 7.00	Shift to Constructive
Pullback below USD 160 — resets asymmetry to favorable	Shift to Constructive
Insider net selling	Shift to Unfavorable
Sell-side downgrades / PT cuts	Shift to Unfavorable

11. Disclosures, Methodology & Glossary

Disclosures

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Methodology

ABI Analytics composite scores are constructed from a weighted blend of six factor pillars (Business Quality, Financial Health, Profitability, Capital Allocation, Valuation, Sentiment), each scored 0–10 based on a combination of structured XBRL data from EDGAR, market data from licensed providers, and NLP-derived signals from 10-K text and earnings call transcripts. Every numerical claim links to a primary source (EDGAR XBRL concept, press release URL, transcript timestamp). The asymmetry framework computes a probability-weighted return from bull/base/bear scenarios; the upside/downside ratio is reported transparently. We do not back-fit scenarios to deliver pre-determined views.

Glossary

DPA Title III — Defense Production Act Title III financing for strategic materials capacity expansion.

LTA — Long-Term Agreement. Aerospace/defense supply contract, typically 5+ years.

QoE — Quality of Earnings. Composite score of earnings durability and accounting quality.

WACC — Weighted Average Cost of Capital. Discount rate in DCF.

Asymmetry — Ratio of bull-case upside to bear-case downside, a measure of risk/reward.

CBD — Chronic Beryllium Disease. OSHA-regulated occupational lung condition.

FCF — Free Cash Flow. Operating cash flow minus capital expenditure.

ROIC — Return on Invested Capital.

EV/EBITDA — Enterprise Value over Earnings Before Interest, Taxes, Depreciation, Amortization.

Fair Value — Analytical estimate of intrinsic value. Not a price target or recommendation.

Sources

10-K and 10-Q filings via SEC EDGAR (CIK 0001104657, all available years); EDGAR XBRL companyfacts for structured fundamentals; Capital IQ for sell-side estimates, transcripts and peer comparables; FMP for ratios and ratings consensus; Yahoo Finance for live prices and 52-week ranges; Baird, KeyBanc, and Seaport Global research notes (publicly disclosed actions only); company investor relations materials; ABI Analytics primary research and scenario modeling.

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