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News Release

30th March 2020, 7.00 am

Pre-close trading update

Johnson Matthey releases a pre-close trading update for the financial year ending 31st March 2020, ahead of its full year results scheduled for 28th May 2020. The company also provides an update on the impact of the COVID-19 pandemic on its business, along with the measures it is taking to actively manage the risks to its people, operations and customers.

Robert MacLeod, Chief Executive, commented:

In these unprecedented times, our priority is to ensure the health and safety of our people, customers and suppliers as well as the communities in which we operate. I am extremely grateful to our employees around the world for their dedication to our business in the face of COVID-19. Whilst there is significant ongoing uncertainty around the full impact of COVID-19 we are taking steps to manage our costs and cash flow. We have a high quality, resilient and diverse business portfolio; a strong balance sheet and good access to liquidity, and are further strengthening our financial position.

In 2019/20, we have made good strategic progress and were on track to deliver results in line with market expectations this year, prior to developments with COVID-19. The ongoing pandemic has led to a deterioration in some of our end markets and consequently we now expect to deliver group operating performance below market expectations. Looking beyond the current environment, given our leading market positions, strong technology offering, and operational and investment discipline, we remain confident in our medium term strategy.

Results for the year ended 31st March 2020 impacted by COVID-19

Strategic progress in the year has been good. Prior to the ongoing uncertainty around COVID-19, the business was on track to deliver group operating performance in line with market expectations for the year ended 31st March 2020. We currently expect an impact of around £50 million on our trading performance from COVID-19. This was due to a combination of reduced demand in Clean Air and around £20 million of delayed shipments caused by logistics challenges across our other businesses. As a result, we now expect to deliver group operating performance below current market expectations.

Operational update and actions to protect our business

We have a high quality, resilient and diverse business portfolio which is exposed to a range of end markets and geographies. We are closely monitoring the ongoing developments in relation to COVID-19 and taking rapid and decisive action to maintain the health and safety of our people and to ensure business continuity.

Recently, a number of our automotive customers globally have announced temporary closures of their manufacturing facilities because of lower consumer demand and some governments are mandating the temporary cessation of non-critical business activities, which includes automotive production. As a result, we have taken the decision to temporarily close most of our Clean Air plants across the world. This is with the exception of our operations in China which are ramping back up as the region starts to recover from COVID-19.

In Efficient Natural Resources, currently we have not seen a material fall in demand, although some customers in Catalyst Technologies have delayed orders due to supply chain challenges. In China we are seeing demand starting to improve. The vast majority of our Catalyst Technologies plants are running, although we are monitoring events closely and are ready to take action if demand changes. Our pgm refineries continue to operate, albeit at lower capacity due to reduced availability of our people.

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A number of our other businesses provide critical products and services into the health, pharmaceutical and agricultural sectors and are relatively resilient to macroeconomic weakness. They are therefore maintaining operations but we have experienced some delays to shipment of orders following increased border controls. This includes operations in our Health and Medical Device Components businesses.

We have a flexible cost base, especially in Clean Air where c.75% of costs are variable. Given the considerable uncertainty around demand and the duration of our site closures, we are tightly managing our cash position and costs, with a focus on lowering our inventory, collecting accounts receivable and reducing our cost base. We will give more detail on the cost reduction actions we are taking with our full year results planned for 28th May 2020.

Outlook for the year ending 31st March 2021

For the year ending 31st March 2021, given the high levels of uncertainty we are not able to reasonably forecast the impact on our operations and financial performance. We will provide a further update at our full year results.

Strong balance sheet and good access to liquidity

The group has a strong balance sheet and good access to liquidity with substantial cash resources and significant undrawn bank facilities.

We have c.£250 million of unrestricted cash and a £1 billion Revolving Credit Facility in place to March 2025 and extendable on its first and second anniversary by a further one year, of which £400 million is currently drawn. We also have around £130 million available under other committed facilities. This means our overall liquidity is c.£1 billion. Committed facilities are renewed regularly to maintain a balanced maturity profile across different lenders. There is no material refinancing due in 2020 or 2021.

Our leverage ratio (net debt to EBITDA) is well within our covenant level. In the second half of our financial year, we have made substantial progress in managing our precious metal working capital against a backdrop of rising pgm (platinum group metal) prices, with volume reductions of c.£200 million. At 30th September 2019, net debt to EBITDA was 2.1x and we anticipate being at a similar level at 31st March 2020, despite the impact of COVID-19 on EBITDA.

Confident in our strategy

The world is facing unprecedented challenges but we are taking steps to ensure we are in the best possible position to navigate this period. We remain focused on protecting our people and our financial position, so that we are able to meet demand and serve our customers when conditions normalise.

We continue to invest for the future and remain committed to our strategic growth projects, including our new world class Clean Air plants, our Battery Materials commercial plant and upgrading our precious metal refineries. As we manage cash, we will postpone a number of discretionary capex projects.

With our leading positions in high margin, technology driven growth markets, we remain confident in our strategy. We will continue to apply our world class science to address the challenges posed by key global megatrends and in doing so we will drive value for our shareholders and society.

Full year results: We currently plan to announce our full year results for the year ended 31st March 2020 as scheduled on Thursday 28th May.

Ends

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Notes:
1. Precious metal working capital volume reduction at 30th September 2019 metal prices
2. Vara consensus for full year underlying operating profit in 2019/20 is £581 million (range: £562 million to £593 million)

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