



Johnson Matthey  
Inspiring science, enhancing life

# Presentation of results for the six months ended 30<sup>th</sup> September 2019

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21<sup>st</sup> November 2019

# Cautionary statement

This presentation contains forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which Johnson Matthey operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated and you should therefore not place reliance on any forward-looking statements made. Johnson Matthey will not update forward-looking statements contained in this document or any other forward-looking statement it may make.

# Good sales growth and confident in delivering our strategy



**Expect to deliver full year group operating performance  
in line with market expectations**

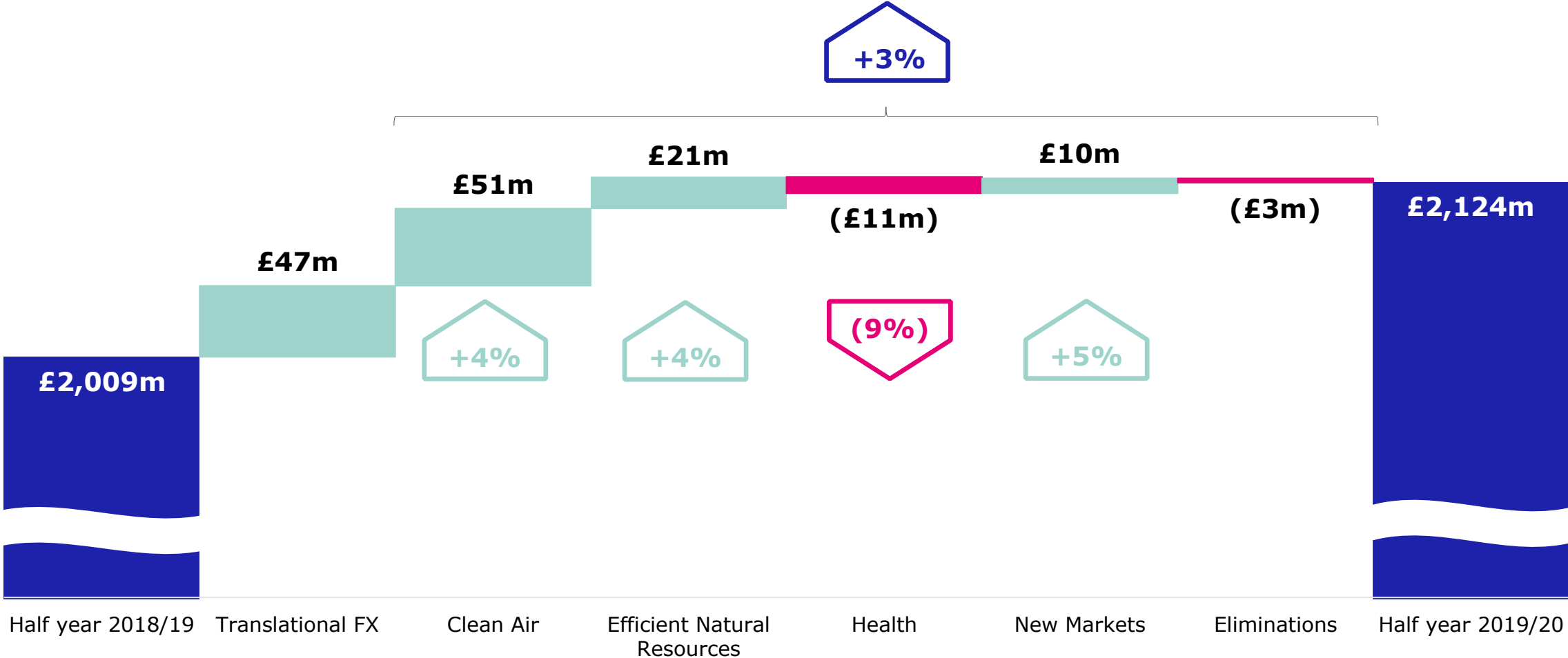




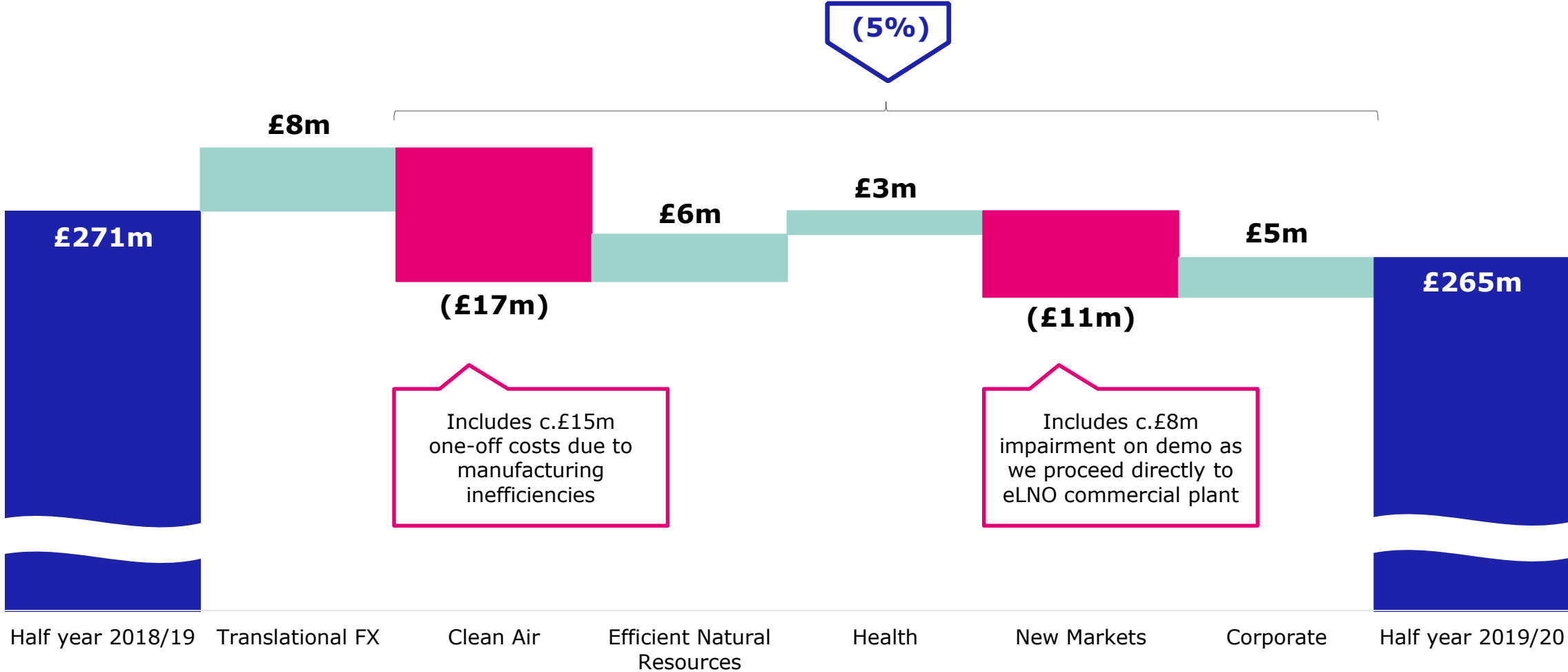
**Anna Manz**  
Chief Financial Officer

JM

# Sales growth driven by Clean Air

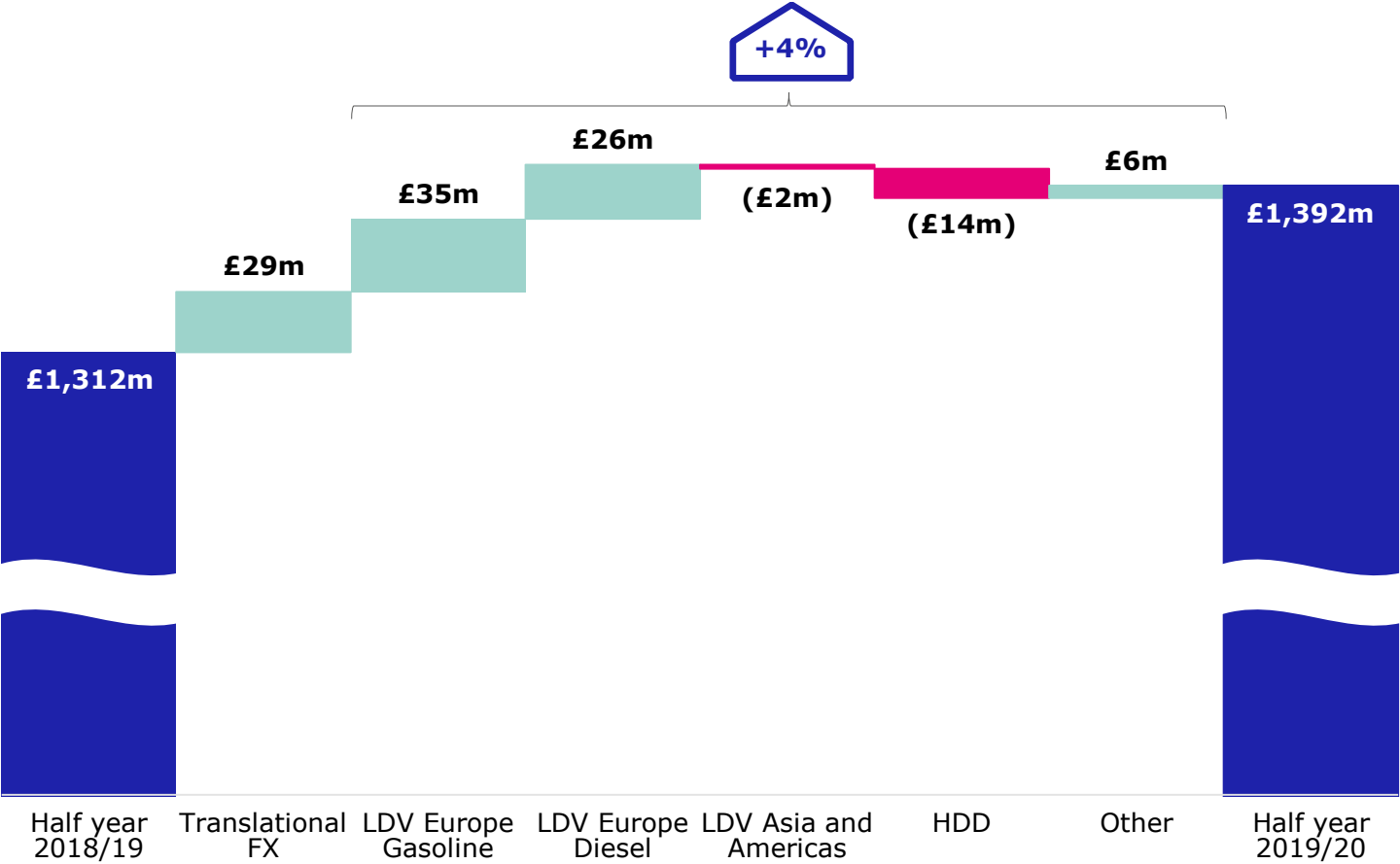


# Underlying operating profit slightly down



# Clean Air: good sales growth; margin impacted by one-off costs

## Sales up 4%



## Operating profit down 9%

Impacted by c.£15m one-off costs due to manufacturing inefficiencies

Margin declined 1.7ppt to 12.9%

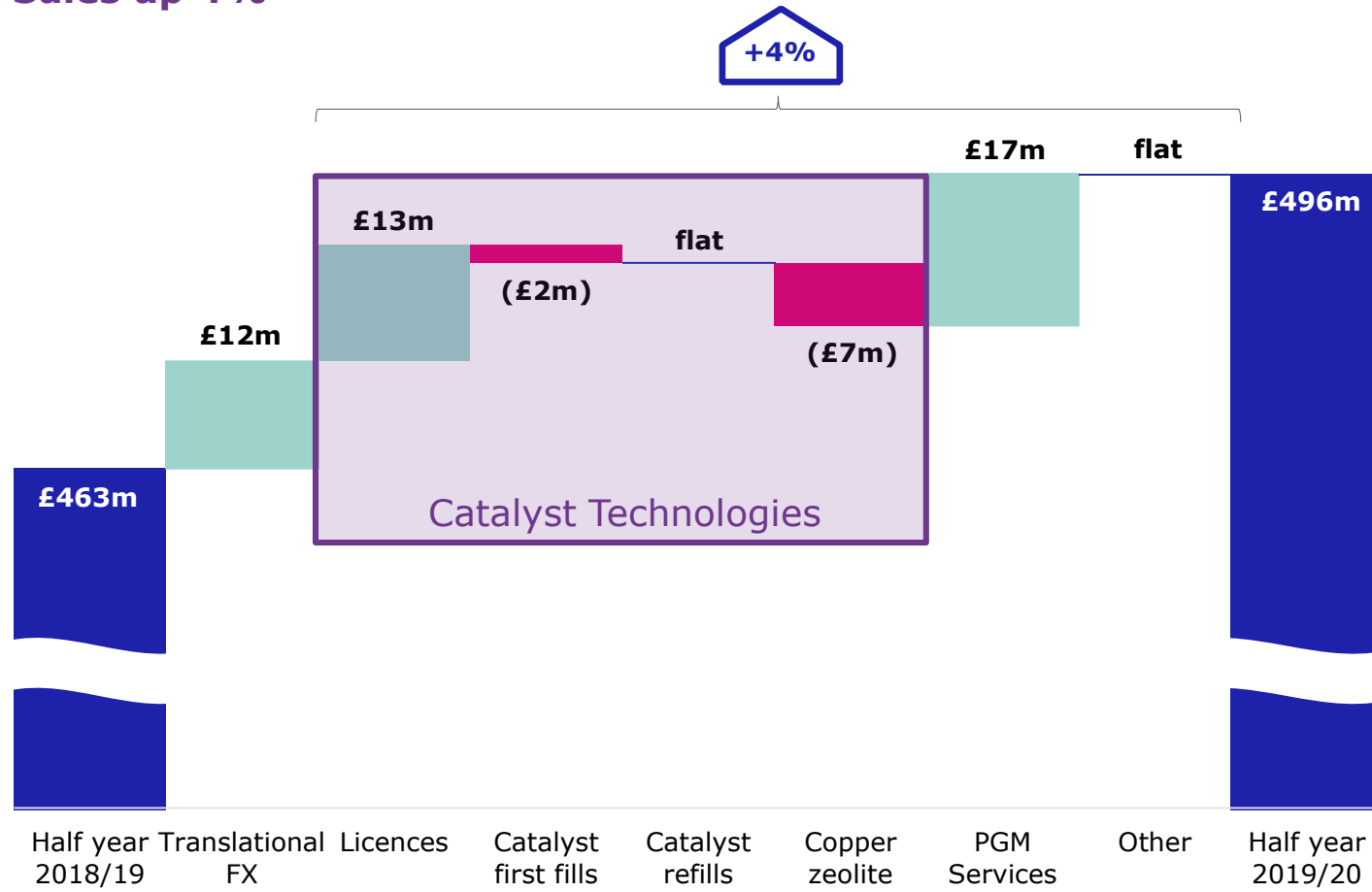
## Full year outlook

Full year operating performance to be below prior year, weighted to second half

Benefit from absence of one-off costs in the first half

# Efficient Natural Resources: sales and operating profit growth

## Sales up 4%



## Operating profit up 6%

Higher average pgm prices (+c.£14m)

Margin improved 0.3ppt to 18.8%

## Full year outlook

Sales growth

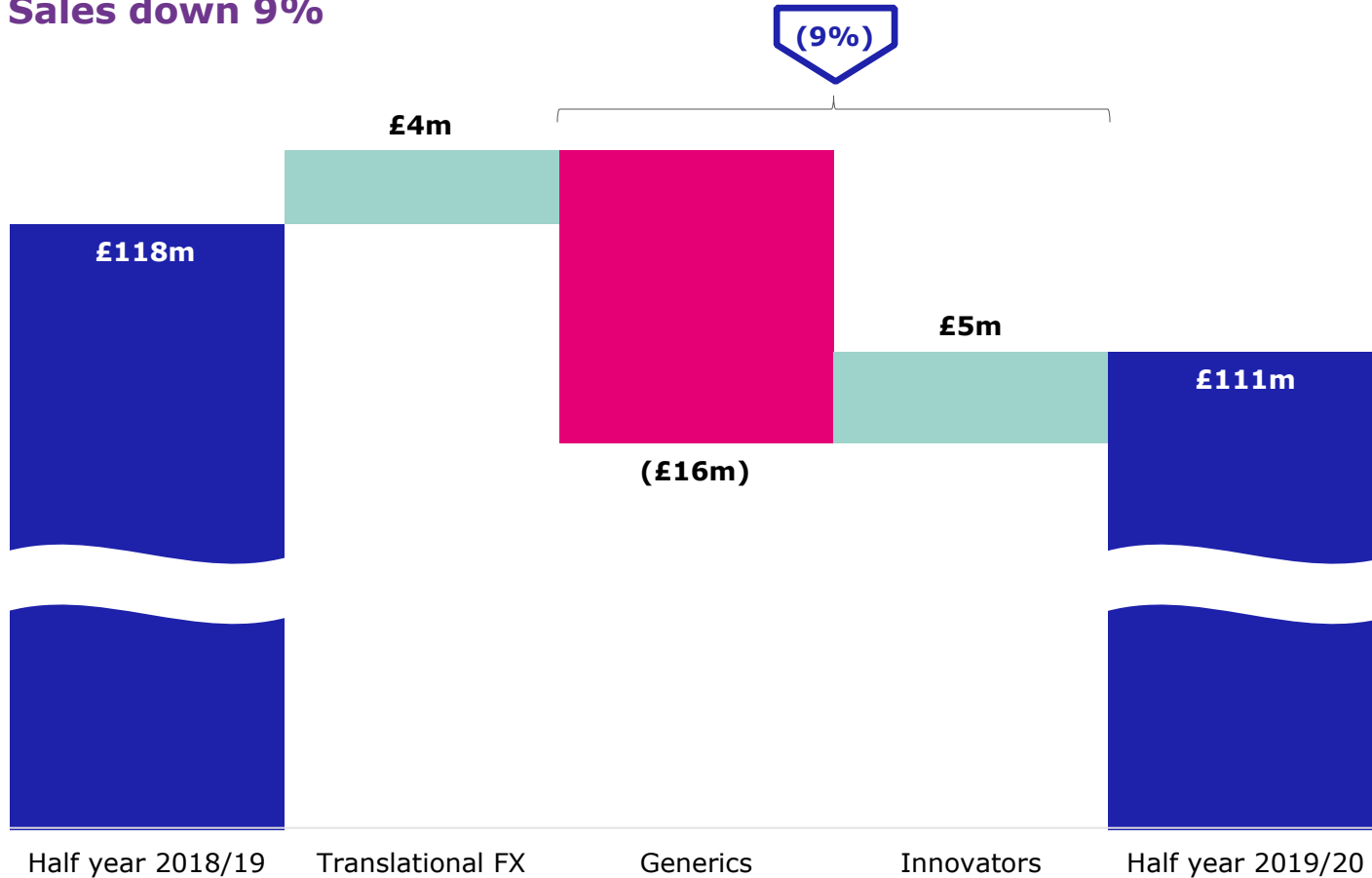
Operating profit growth ahead of sales

Second half to benefit from seasonality within Catalyst Technologies and efficiency gains in Pgm Services



# Health: sales down although operating profit grew double digit

## Sales down 9%



## Operating profit up 21%

Net benefits from footprint optimisation

## Full year outlook

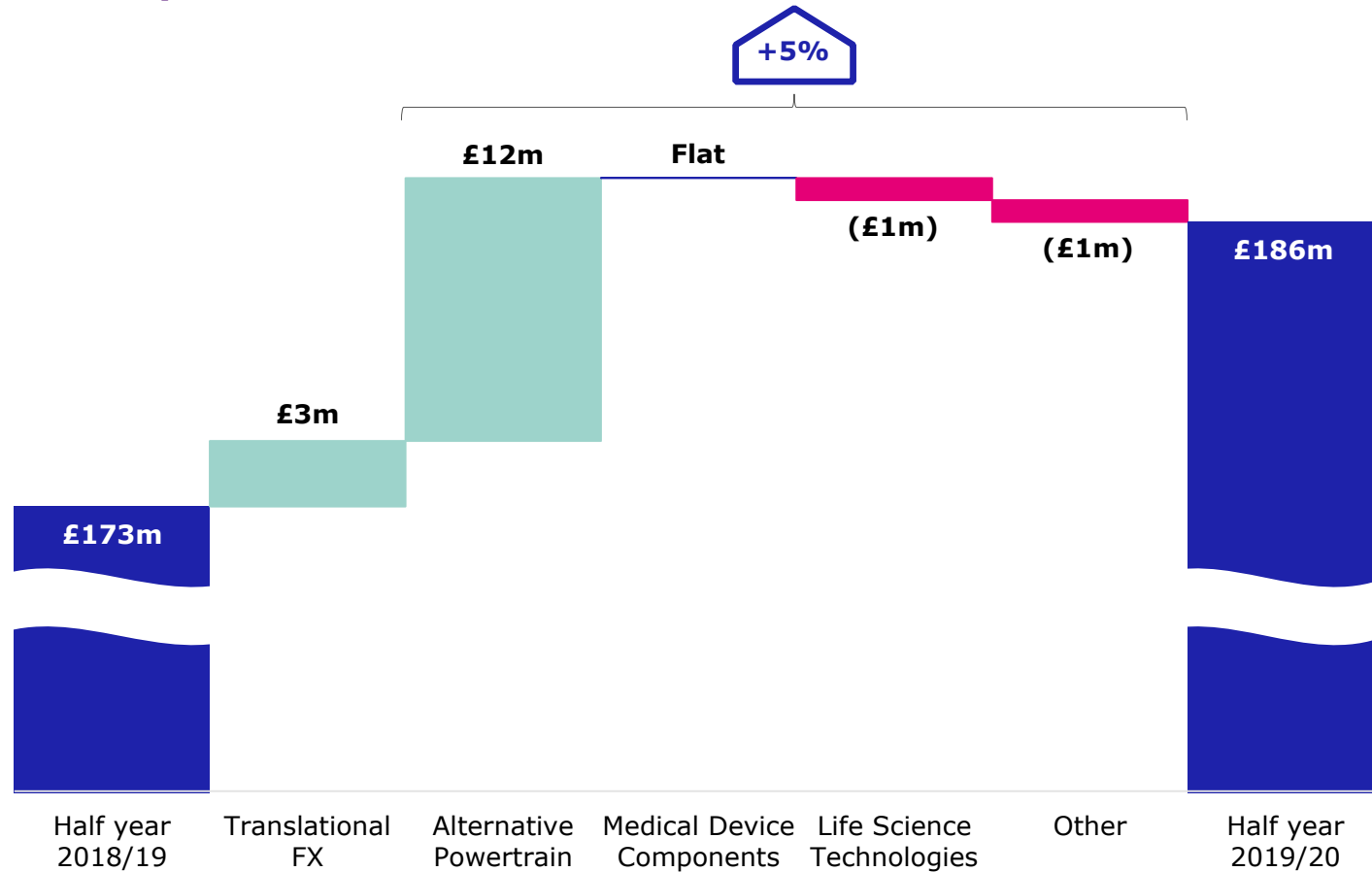
Second half operating performance broadly in line with the first half

Lower demand for one API due to opioid addiction therapy market uncertainty

c.£100m additional operating profit from pipeline by 2025

# New Markets: good sales growth; progressing eLNO commercialisation

Sales up 5%



## Operating profit down

Increased costs as we invest in eLNO

Includes £8m impairment of demo plant

## Full year outlook

Sales growth

Operating profit growth

# Delivered operating performance in line with expectations

Underlying results for half year ended 30 <sup>th</sup> September <sup>1</sup>	2019 £m	2018 £m	% change	% change, constant rates
Sales excluding precious metals (sales)	2,124	2,009	+6	+3
Operating profit	265	271	-2	-5
Finance charges	(36)	(20)	+75	
Share of profit of joint venture and associate	2	-	n/a	
Profit before tax	231	251	-8	-10
Taxation <sup>2</sup>	(47)	(41)	+14	
Profit after tax	184	210	-12	
<b>Earnings per share</b>	<b>95.8p</b>	<b>109.0p</b>	<b>-12</b>	
<b>Interim dividend per share</b>	<b>24.50p</b>	<b>23.25p</b>	<b>+5</b>	

1. All figures are before loss on disposal of businesses, loss on significant legal proceedings, amortisation of acquired intangibles, major impairment and restructuring charges and, where relevant, related tax effects.

2. The increase in first half 2019/20 tax charge includes a provision for uncertain tax positions, £12 million of which relates to reassessments of prior years.

# Progressing my three focus areas

**Drive increasing business wide efficiency**

**Disciplined management of working capital**

**Rigorous and transparent resource allocation**



# Good progress against efficiency initiatives

£m	Achieved in the half	Cumulative achieved to date	Annualised benefits to 2022/23
Procurement	15	43	100
Restructuring	1	25	25
Riverside closure	5	20	20
<b>Total</b>	<b>21<sup>1</sup></b>	<b>88</b>	<b>145</b>

Three quarters of procurement initiatives will benefit the income statement



Around two thirds being reinvested in the business to drive growth



1. Total savings of £21 million in the period includes £15 million procurement savings, of which £13 million benefited the income statement and £2 million benefited capex.

# Free cash flow impacted by working capital

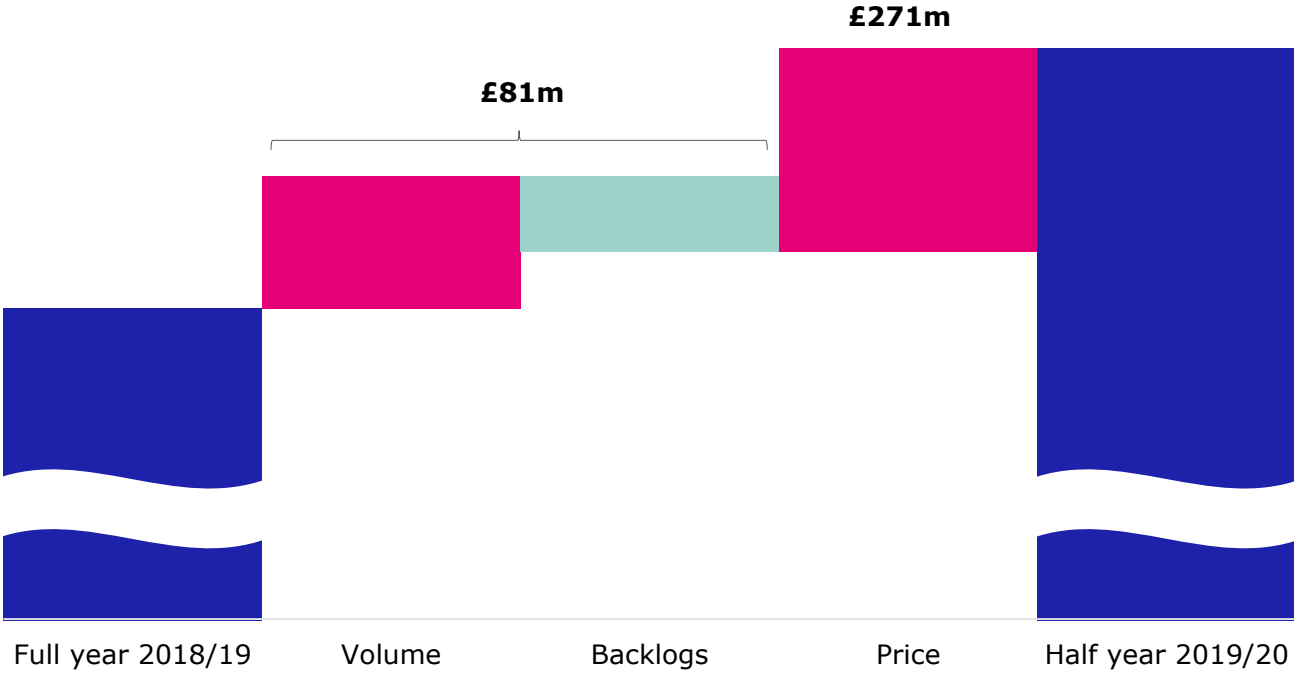
## Free cash flow (£m)

Half year ended 30<sup>th</sup> September

	2019	2018
Underlying operating profit	265	271
Depreciation and amortisation <sup>1</sup>	85	79
Precious metal working capital outflow	(352)	(283)
Non precious metal working capital outflow	(115)	(76)
Net working capital outflow	(467)	(359)
Net interest paid	(42)	(23)
Tax paid	(32)	(48)
Capex spend	(184)	(96)
Other <sup>2</sup>	(7)	(30)
<b>Free cash flow</b>	<b>(382)</b>	<b>(206)</b>

# Precious metal working capital impacted by prices and volumes

## Precious metal working capital movement (£m)

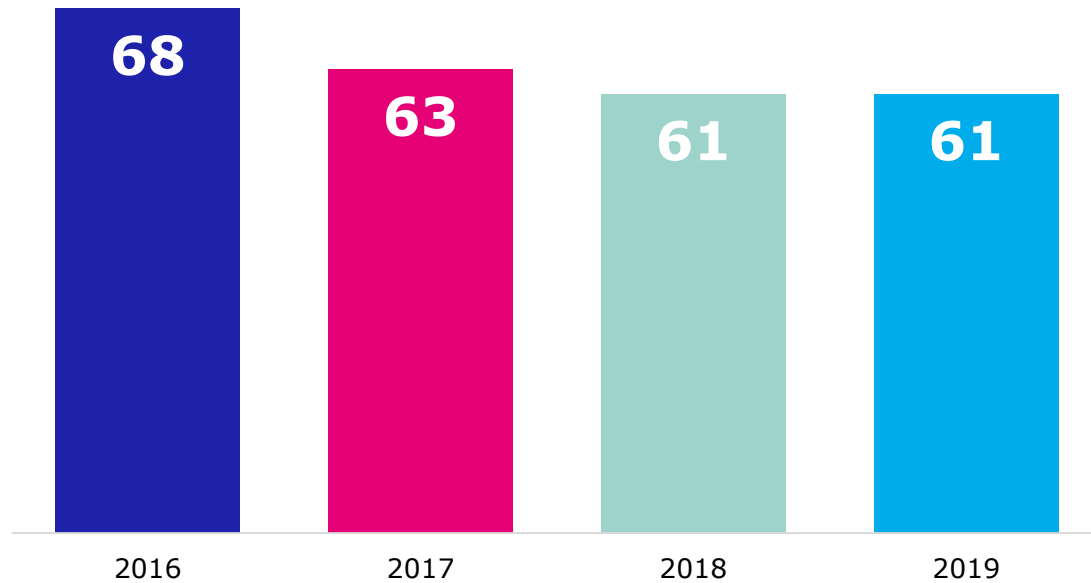


Precious metal working capital to improve by £350m

- £250m backlog
- £100m refinery investment

# Stable average non precious metal working capital days

## Average working capital days excluding precious metals, half year ended 30<sup>th</sup> September



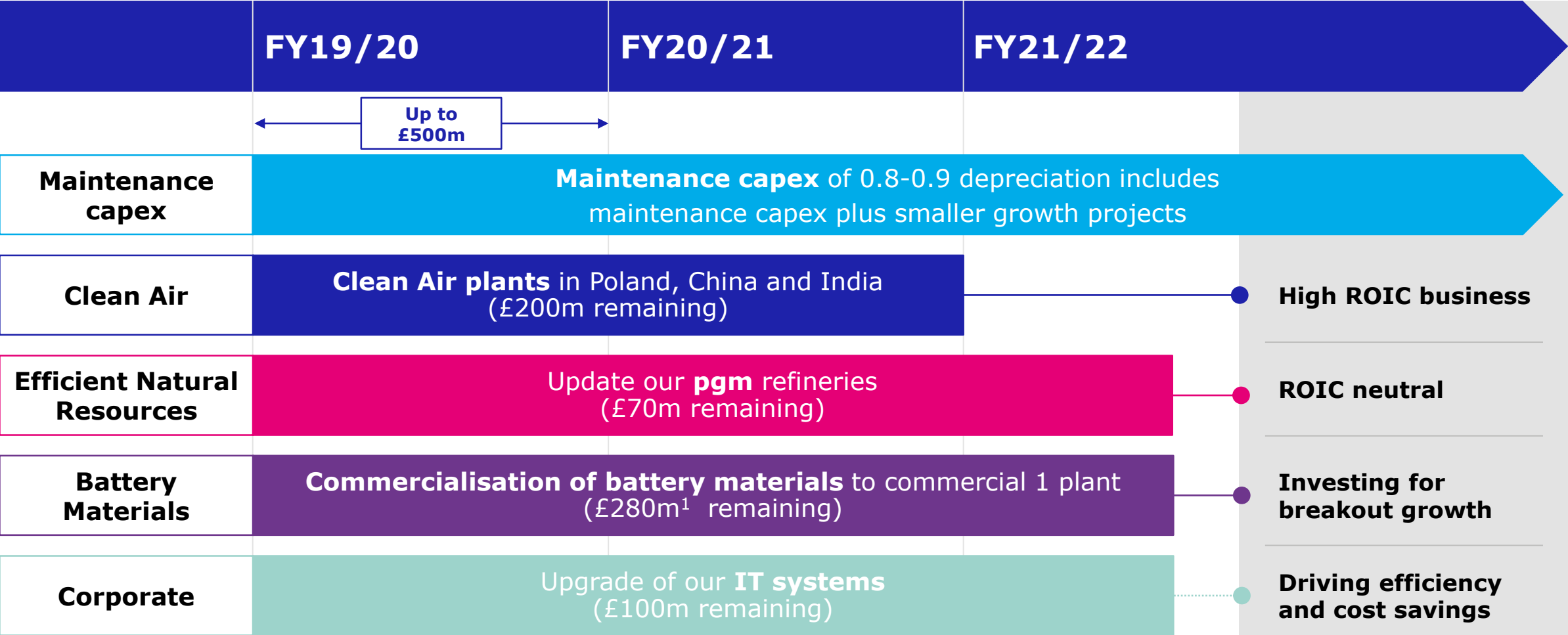
Average working capital days were stable at 61 days

Targeting average non precious metal working capital of 50 to 60 days

Continue to drive improvement in working capital



# Investing for growth, efficiency and returns



1. Includes capex and capitalised development.

# Net debt to EBITDA 2.1 times<sup>1</sup>

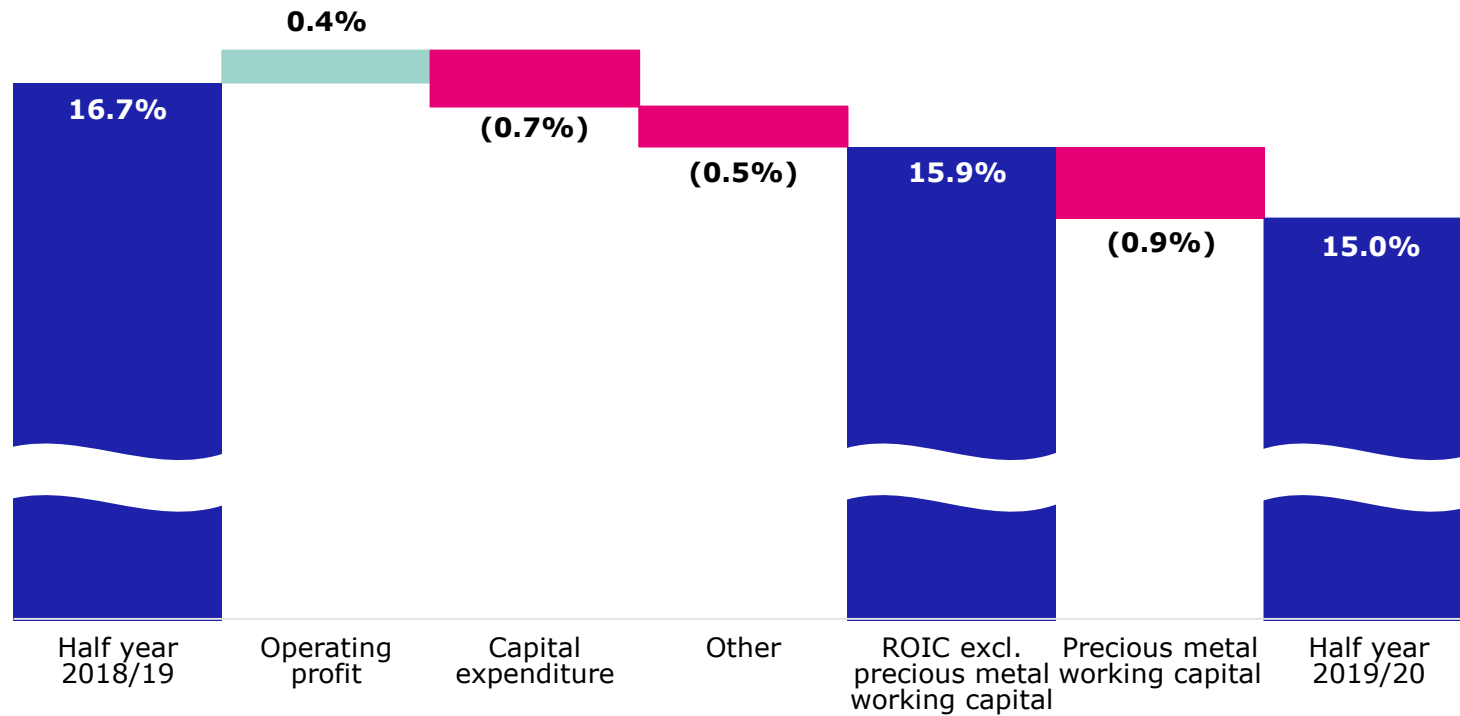
	£m	£m
<b>Net debt at the beginning of the year</b>		<b>(866)</b>
Free cash flow	(382)	
Dividends	(120)	
Movement in net debt		(502)
Lease adjustments <sup>2</sup>		1
<b>Net debt before FX and IFRS 16 transition</b>		<b>(1,367)</b>
FX and IFRS 16 transition adjustment <sup>3</sup>		(121)
<b>Net debt at the end of the period</b>		<b>(1,488)</b>

1. Net debt including post tax pension deficits.

2. New leases, remeasurements and modifications less principal element of lease payments.

3. (£77m) IFRS 16 transition adjustment, (£47m) FX and £3m other non-cash movements.

# Return on invested capital



## Return on invested capital

ROIC is 15.0%, down 1.7ppt from the prior year

Investing for growth in near term

Precious metal working capital increased

Clear path to achieve 20% ROIC in medium term

# 2019/20 outlook

Expect to deliver full year group operating performance in line with current market expectations

Second half benefiting from absence of one-off costs, seasonality in Catalyst Technologies and efficiency gains in Pgm Services

Targeting average working capital days (excluding precious metals) between 50 and 60 days

Capex up to £500 million





**Robert MacLeod**  
Chief Executive

**JM**

# Delivering sustained growth and value

Sustained growth in **Clean Air** over the next decade

Mid to high single digit growth in **Efficient Natural Resources**

Breakout growth in **Health**

Strong progress in **Battery Materials** to build a leading position

**Efficiencies** remain a strong focus

**A world that's cleaner and healthier;  
today and for future generations**





# Building our senior team

**Joan Braca,**  
Chief Executive, Clean Air



**Christian Günther,**  
Chief Executive, Battery Materials



**Maurits van Tol,**  
Chief Technology Officer



# Clean Air: growth for the next decade driven mainly by legislation

## 2025 outcomes

**Asia more than doubles in size**

**Europe maintains size despite diesel decline**

**Americas driven by GDP growth**

**Margins maintained through focus on efficiency**

Early benefits from China 6

New gasoline platform wins

R&D investment increased

Managing Class 8 truck cycle

Global, efficient manufacturing footprint with three new plants

**Mid single digit growth in operating performance to 2025**

# Efficient Natural Resources: market leading growth

## 2025 outcomes

**Positioned in higher growth segments**

**Continue to evolve our existing strengths**

**New technologies**

**Increased efficiency of operations**

Our markets growing in line with expectations

Good growth in formaldehyde, particularly in China

Won three new licenses

Advancing new technologies

Expansion of two plants in next 12 months

- Additives in US
- Pgm catalysts in Germany

**Mid to high single digit growth in operating performance to 2025**

# Health: breakout growth

## 2025 outcomes

**Enhancing performance of our base business**

**Delivering growth from new product pipeline**

**Building capabilities to support our customers**

Developments in opioid addiction therapy market impacting second half performance

Focused on delivering growth from 75 molecules in new product pipeline

- 3 launched
- 10 generics awaiting approval
- 4 late stage innovator programmes

**Delivering c.£100m additional operating profit from product pipeline by 2025**



# Battery Materials: breakout growth

## 2025 outcomes

**Maintained our technology leadership**

**Qualified on customer platforms**

**Commercial scale capacity**

Fitting out second UK application centre

Progressed to full cell testing with two customers

First commercial plant on track

Further expansion likely to be phased

**Well positioned for breakout growth**

# Confident in our future

Delivered in line with expectations

Fundamentally changing the organisation as we execute our strategy

Strengthening our platform for growth

Creating a cleaner, healthier world

Mid to high single digit EPS CAGR

Expanding ROIC to 20%

Progressive dividend



Appendix

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# Financial guidance

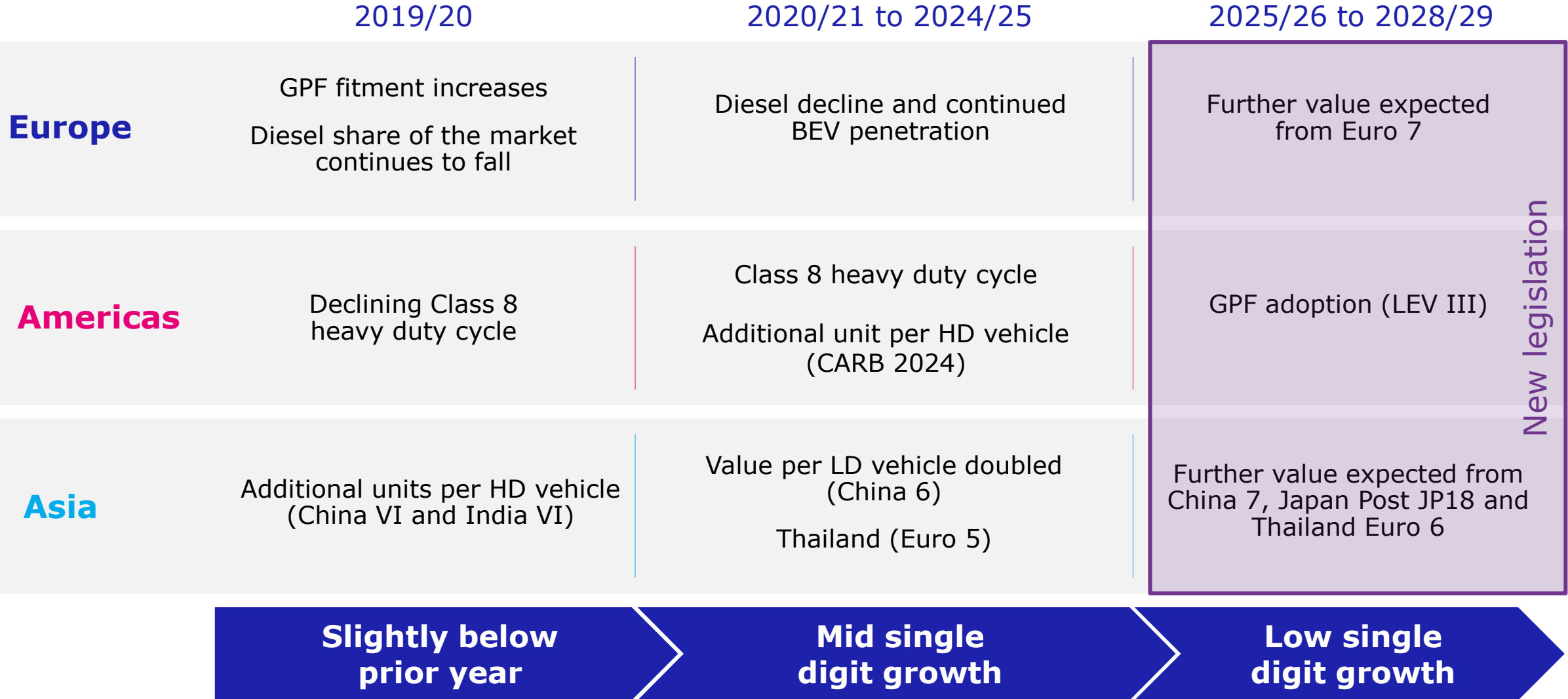
**Net interest expense** – significantly higher in 2019/20 due to higher average net debt as we invest for future growth, higher precious metal funding costs and the impact of IFRS 16

**Underlying tax rate** – tax rate on underlying profit for the year ending 31<sup>st</sup> March 2020 expected to be around 16% (excluding the one-off tax provision) and 18% (including the one-off tax provision)

**Corporate costs** are now expected to be below the prior year in 2019/20

**Capex** up to £500 million

# Clean Air: Growth for the next decade driven mainly by legislation



# Light duty emissions control legislation roadmap

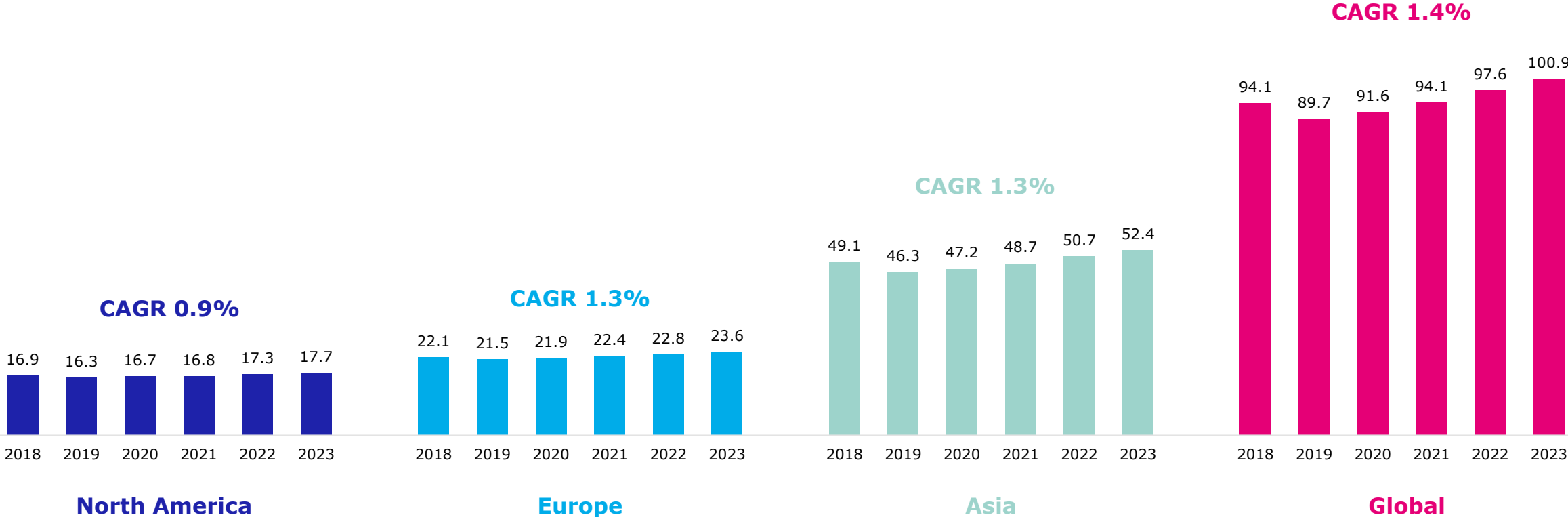
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Europe	EU 6b	EU 6c / Euro 6d temp				Euro 6d final / 95 g/km CO <sub>2</sub>			EU 7?		
North America EPA	Tier 2		Tier 3 Phase In: NMOG + NOx, PM Tightening								
North America CARB	LEV III Phase In: NMOG + NOx, PM Tightening						LEV III Further Tightening				
Japan	JP09			JP18							
South Korea (Gasoline)	K-ULEV	K-ULEV 70					LEV III / 97g/km CO <sub>2</sub>				
South Korea (Diesel)	EU 6b				EU 6c/ Euro 6d temp		Euro 6d final/ 97g/km CO <sub>2</sub>			EU 7?	
China (Beijing & big cities)	BJ5 (EU 5)				China 6b non PN/ non RDE		China 6b non RDE			China 6b / RDE	
China (Nationwide)	China 4 (EU 4)		China 5 (EU 5)			China 6a					
India	BS3 (EU 3)		BS4 (EU 4)			BS6 (EU 6)			BS6 / RDE		
Indonesia (Gasoline)	EU 2				EU 4						
Indonesia (Diesel)	EU 2						EU 4				
Thailand	EU 4						EU5		EU6		



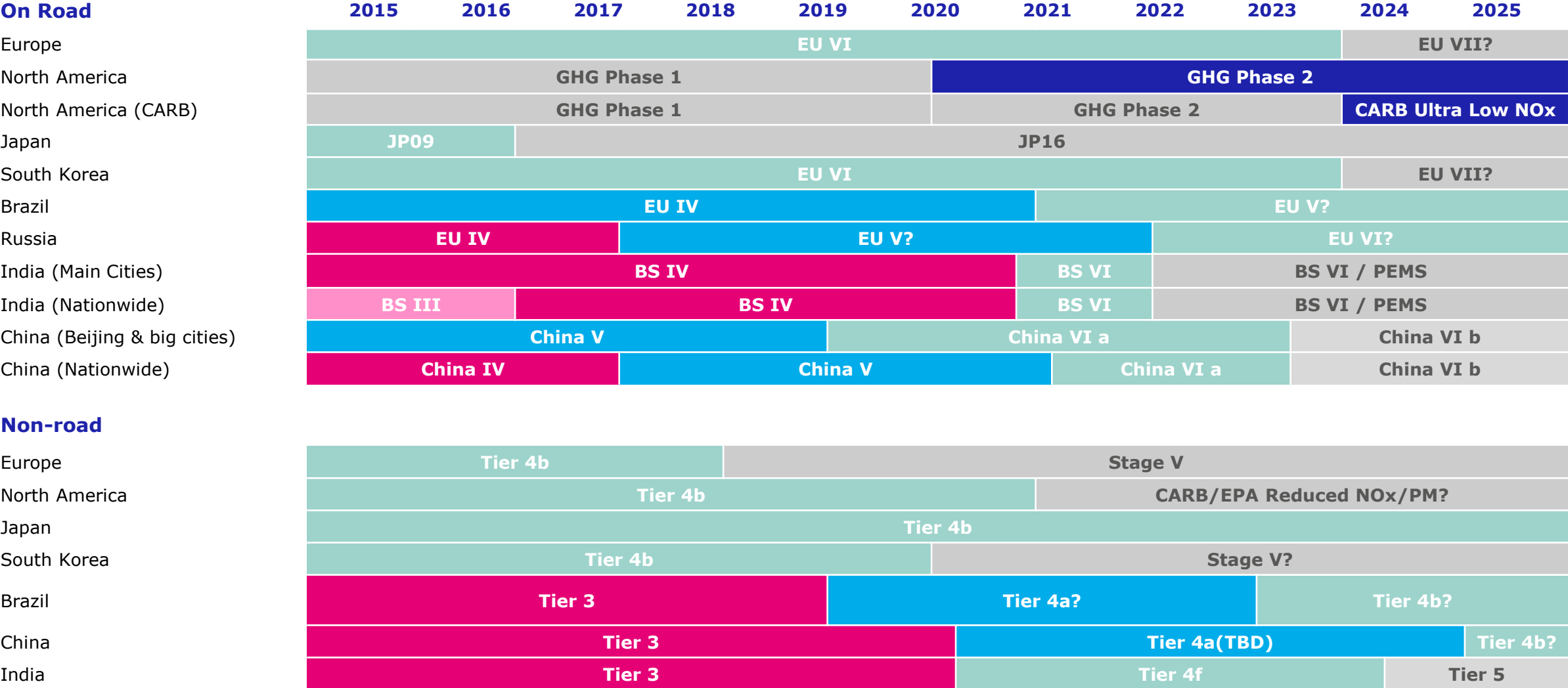
# Global growth in vehicle production

## Light duty vehicle production outlook (million)

Calendar years

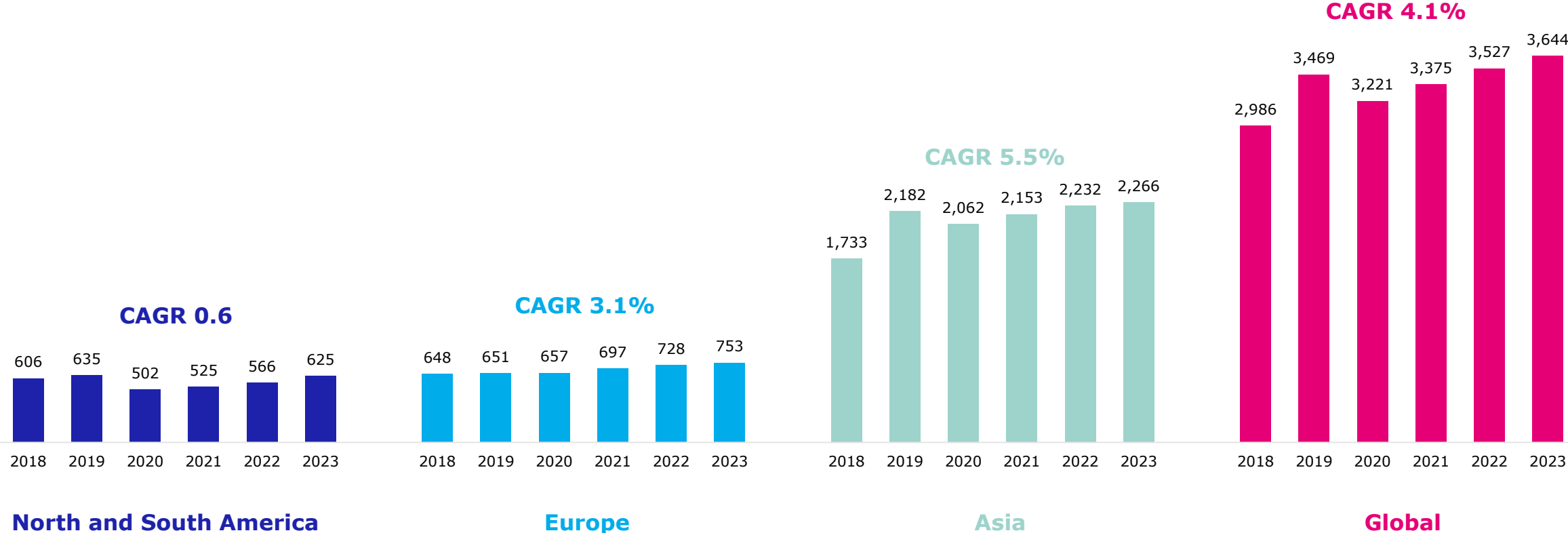


# Heavy duty diesel emissions control legislation roadmap



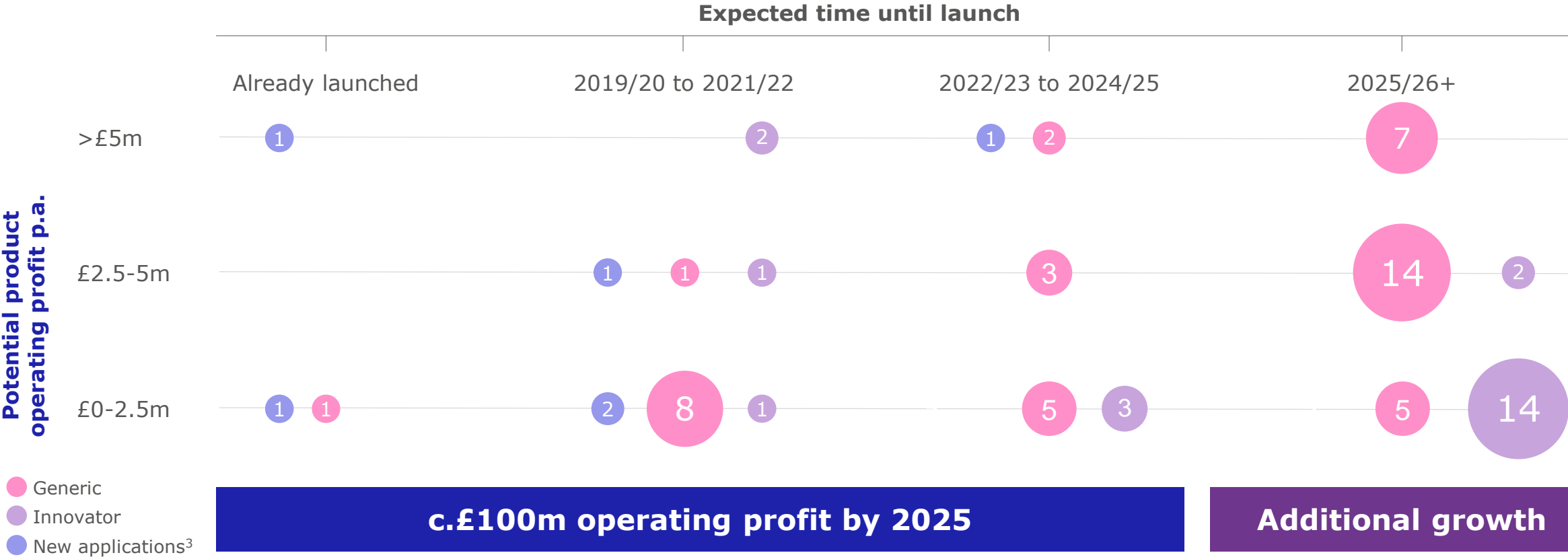
# Heavy duty diesel vehicle production (regulated engines)

**Heavy duty diesel vehicle (regulated engines) production outlook (thousands)**  
Calendar years



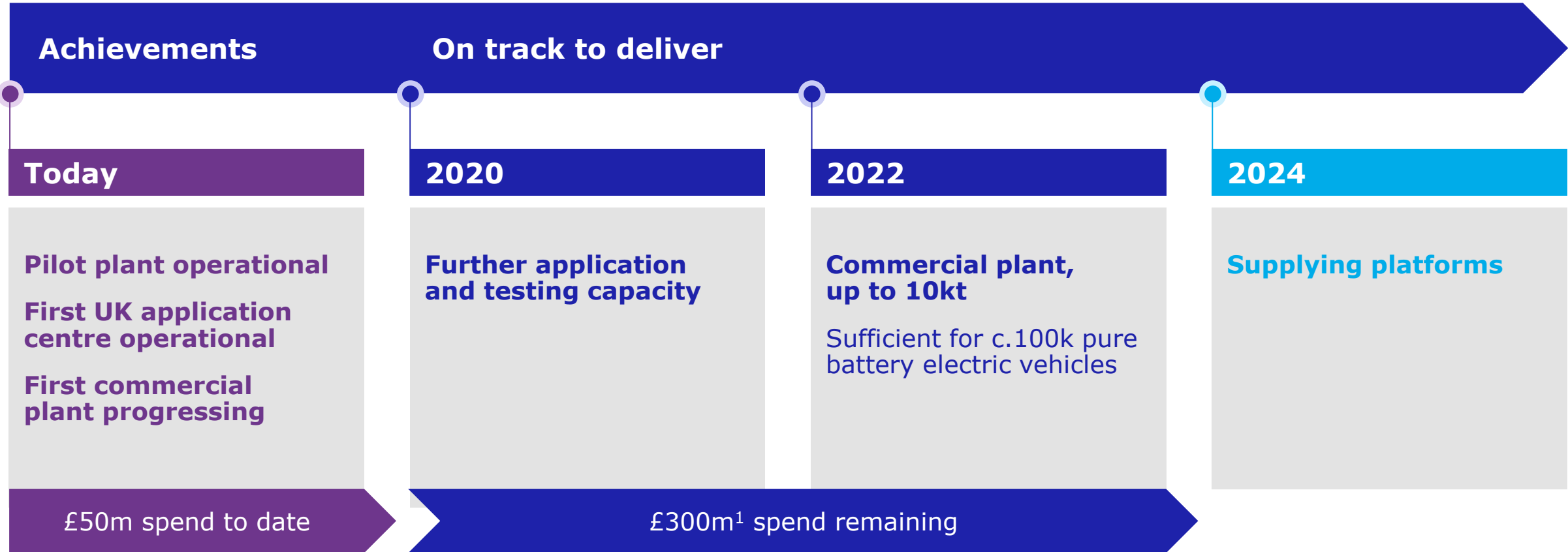
# Health: generics and innovators pipeline to deliver an additional c.£100m operating profit per year by 2025

## Number of generic and innovator products by expected launch date and value<sup>1</sup> (Total products: 75)



1. Size of bubbles proportional to number of products.  
 2. Current pipeline as at September 2019.  
 3. New applications already launched are part of base and therefore not included in £100m operating profit by 2025.

# Battery Materials: bringing a viable product to market



**Ongoing work as we consider options to scale up**