



Johnson Matthey  
Inspiring science, enhancing life

## Sector call – Health

5<sup>th</sup> October 2018

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Jason Apter

Chief Executive, Health

# Cautionary statement

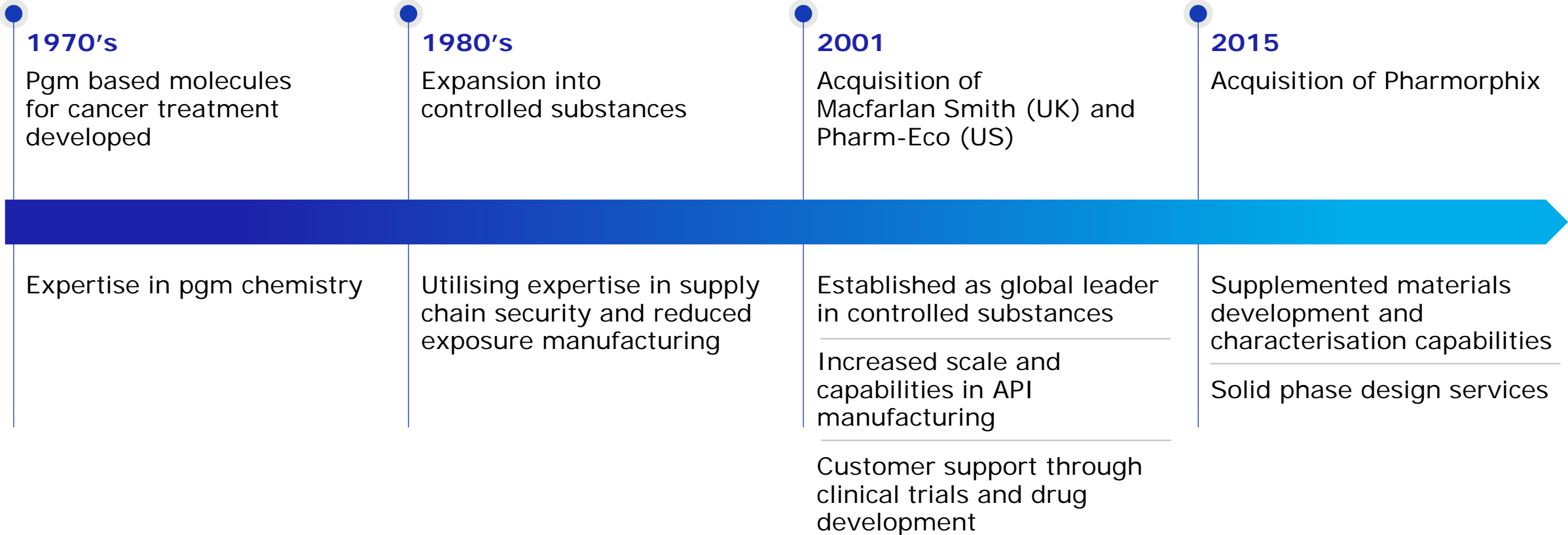
This presentation contains forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which Johnson Matthey operates. It is believed that the expectations reflected 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.

# Introduction

- Joined Johnson Matthey in March 2018
- Previous roles in finance, business transformation, product management and corporate strategy & development
- Most recently worked for Merck KGaA
- Experience across a variety of industry segments
- Extensive experience in driving innovation, growth and operational effectiveness



# History of our Health sector



# Our Health sector today

Focus on development and manufacturing of high quality, complex APIs

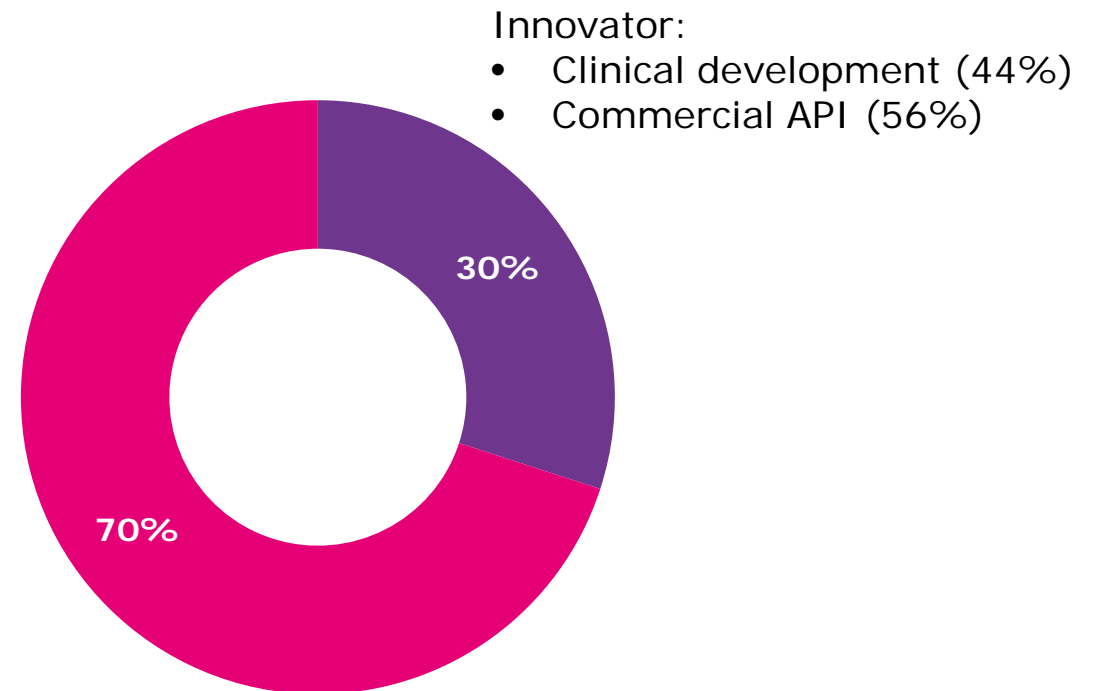
Expertise across generic and innovator customers

Full range of manufacturing and development capabilities

Ramped up investment since 2014

- Pipeline of generic API products will drive incremental operating profit of c.£100m p.a. by 2025

**2017/18 | Sales £247m | OP £44m**



Generic:

- Controlled substances (81%)
- Non controlled substances (19%)

# JM wins through science and its application

## Innovators and generics

### Value chain

Development

Scale-up

Manufacture

### JM's competitive advantage

Materials design, development and characterisation

Process chemistry and flexible high quality capacity

Process engineering and manufacturing excellence

### Examples

- Complex Chemistry
- Particle Design

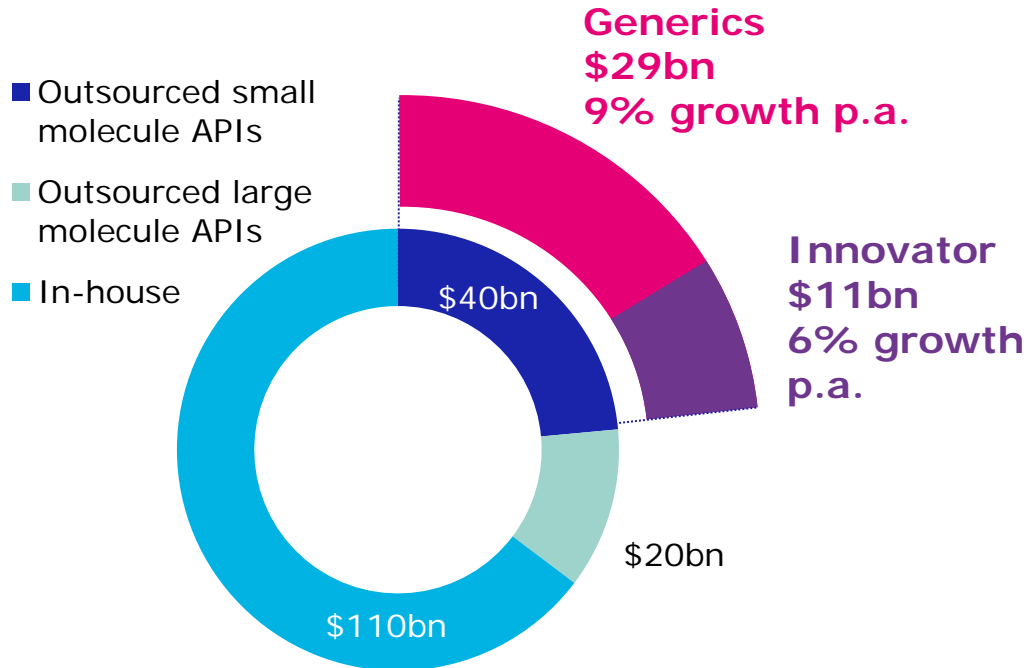
- Analytical Development
- Flexible capacity
- Particle engineering
- Modelling & simulation

- Regulatory compliance
- High potency manufacturing
- Process automation, analytics and advanced process technologies

Deep understanding of customer requirements from laboratory through to commercial manufacture

# Outsourced small molecule API market is growing at 8% p.a.

## Global sales in API \$170bn <sup>1</sup>



Increasing trend to outsource API development and manufacture

## An attractive segment which plays to our strengths

### Complex chemistry

More targeted and potent APIs - Increasing complexity of APIs and their delivery mechanism

### High potency and controlled substances

Increase in regulatory and compliance landscape

### Materials design and characterisation

Continued technical focus on bioavailability and bioequivalence

# Key focus areas to deliver breakout growth

Enhancing the performance of our existing business

Expanding our new product pipeline and portfolio

Building our capabilities to better support our customers for future growth



# Enhancing the performance of our existing business

## **New sales opportunities**

APIs being expanded into new generic filings

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Growth through footprint optimisation (more capacity)

## **Operational efficiency**

Strategic sourcing

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Manufacturing excellence



# Expanding our new product pipeline and portfolio

Focus on both  
generics and innovators

Utilising same  
resources and skills

## Generics

Focus on complex molecules

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Diverse and robust pipeline  
to deliver **~£100m additional OP by 2025**

- Over **40 products** across a diverse range of therapies
- Conservative assumptions

## Innovators

**Increasing complexity** in new drugs utilises our key competences

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**Support customers** through from pre-clinical testing to commercial scale manufacture

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Over **20 API products** in innovator pipeline will deliver additional growth longer term

# Building our capabilities to better support our customers for future growth



Globalise our development capabilities



Build out particle technology expertise



Improve understanding of drug formulation



# Health sector to deliver break out growth

Well positioned in an attractive market

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Leverage Johnson Matthey core competences

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Strong product pipeline

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Double-digit growth beginning in 2019/20, with margins increasing to high 20%s

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Q&A

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Appendix

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# Generics example: development of dofetilide

Development started in 2011

Developed an innovative and non-infringing route & polymorph

Significant financial contribution in 2016/17

Additional generic competition - summer 2018

Utilised solid form sciences and high potency manufacturing capabilities

Partner launched in June 2016 achieving first US generic approval and 180-days market exclusivity

JM shares drug product profits



Partnered with



# Innovators example: Customers come to JM for expertise

JM begins work on API 1 with Customer A and awarded contracts for API 2 and API 3

Customer A awards Commercial Supply Agreement for API 4

Customer A awards API 6 and extension of API 5

New 5 year commercial supply agreement signed with Customer A

