



Johnson Matthey
Inspiring science, enhancing life

Presentation of results for the year ended 31st March 2019

30th May 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.

Strong performance whilst strengthening our platform for growth

Executing our strategy



**Delivered in line
with expectations**



**Underlying
earnings per share
up 10%**



**ROIC
of 16.4%**

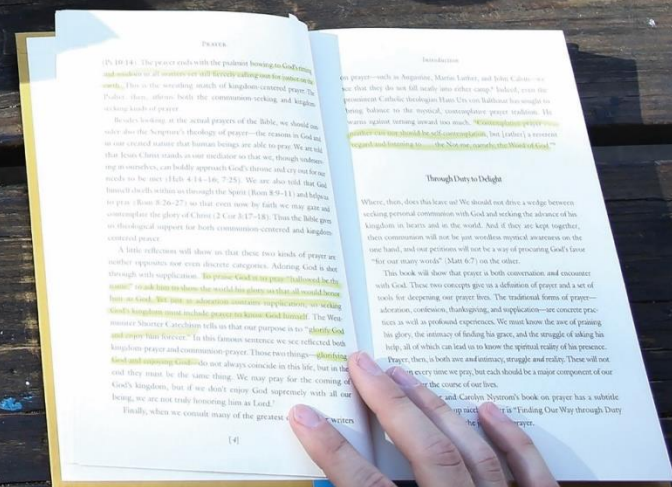


**Dividend
up 7%**



Anna Manz
Chief Financial Officer

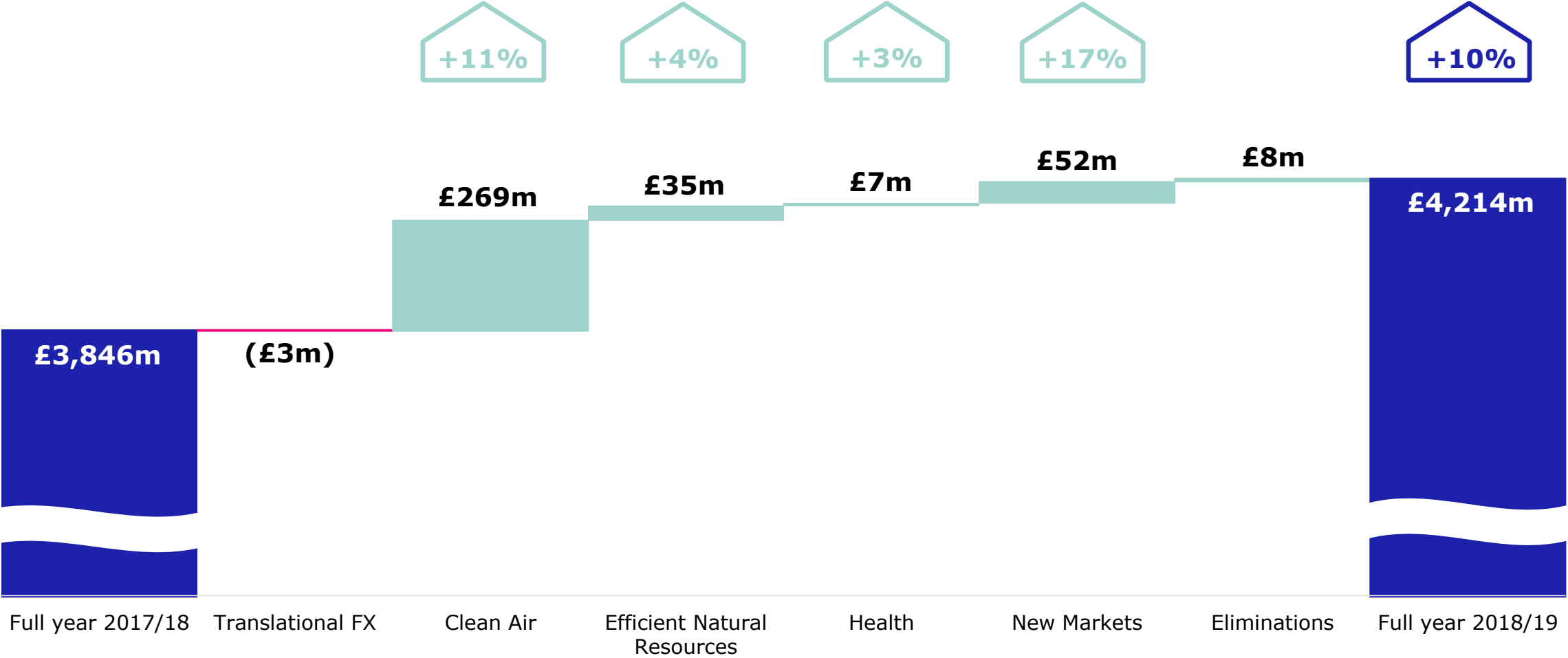
JM



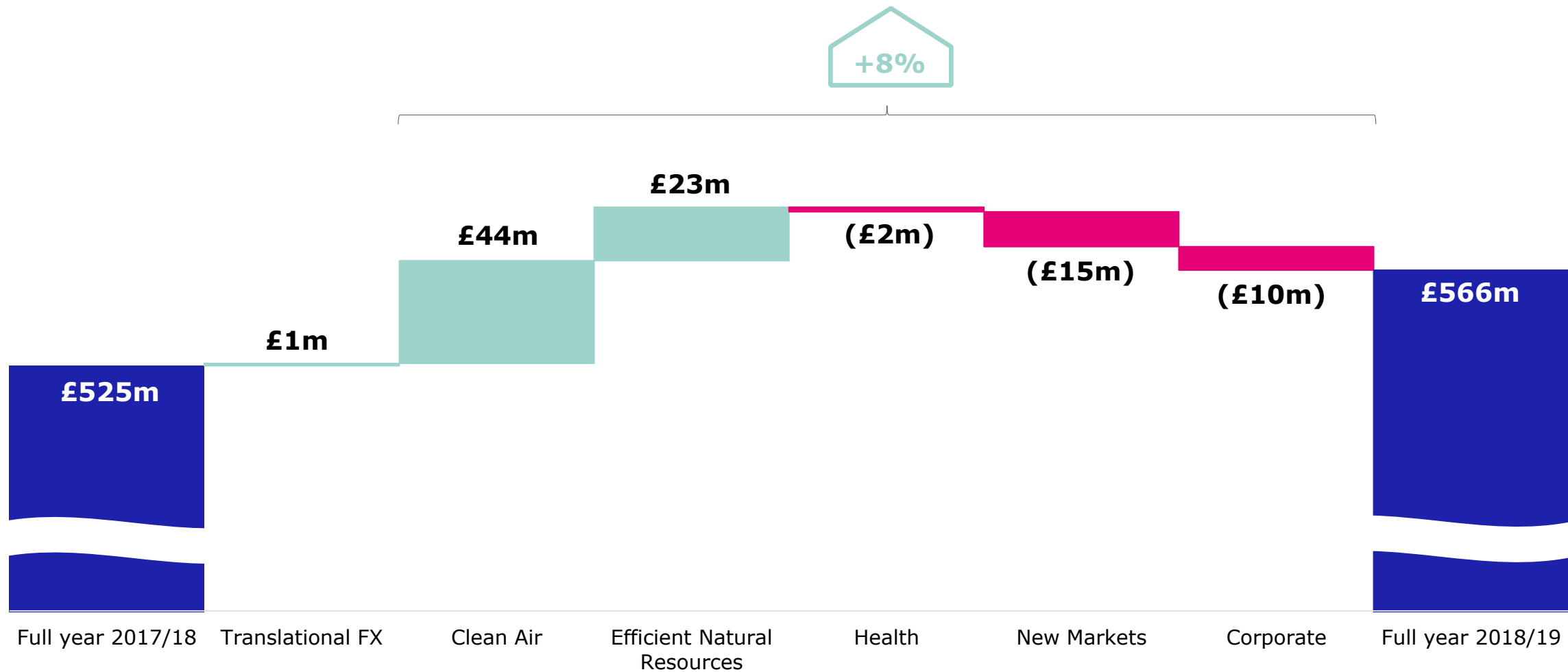
Delivered in line with our expectations

Underlying results for year ended 31 st March ¹	2019 £m	2018 £m	% change	% change, constant rates
Sales excluding precious metals (sales)	4,214	3,846	+10	+10
Operating profit	566	525	+8	+8
Finance charges	(43)	(39)	+12	
Profit before tax	523	486	+8	+7
Taxation	(83)	(86)	-3	
Profit after tax	440	400	+10	
Earnings per share	228.8p	208.4p	+10	
Ordinary dividend per share	85.5p	80.0p	+7	

Sales growth driven by Clean Air



Strong growth in underlying operating profit



Progressing on my three focus areas

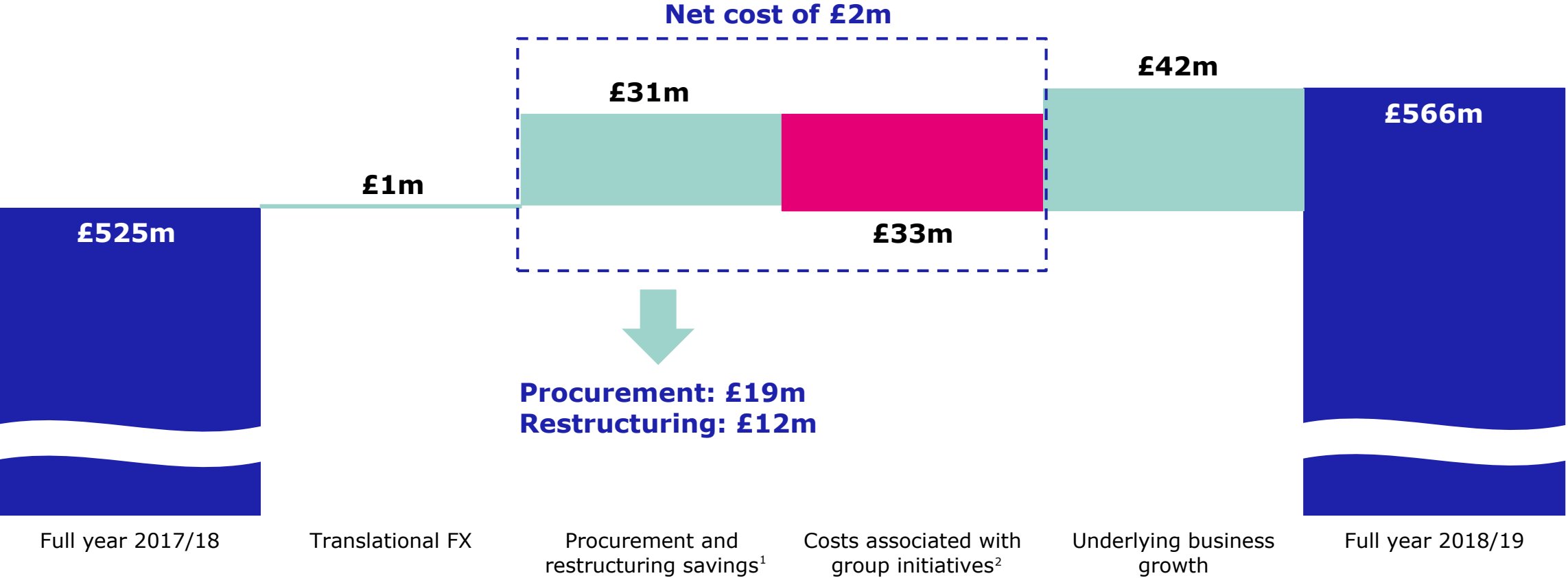
Drive increasing business wide efficiency

Disciplined management of working capital

Rigorous and transparent resource allocation

Delivering now as we invest for the future

Operating profit up 8%



1. Includes procurement savings, restructuring and closure of Riverside that benefit the income statement.
2. Includes IT and procurement.

Group programmes

£m	Annualised benefits	Achieved in the year	Cumulative achieved to date
Procurement	60	26	28
Restructuring	25	12	24
Riverside closure	20	15	15
Total	105	53¹	67

Good progress against our efficiency initiatives

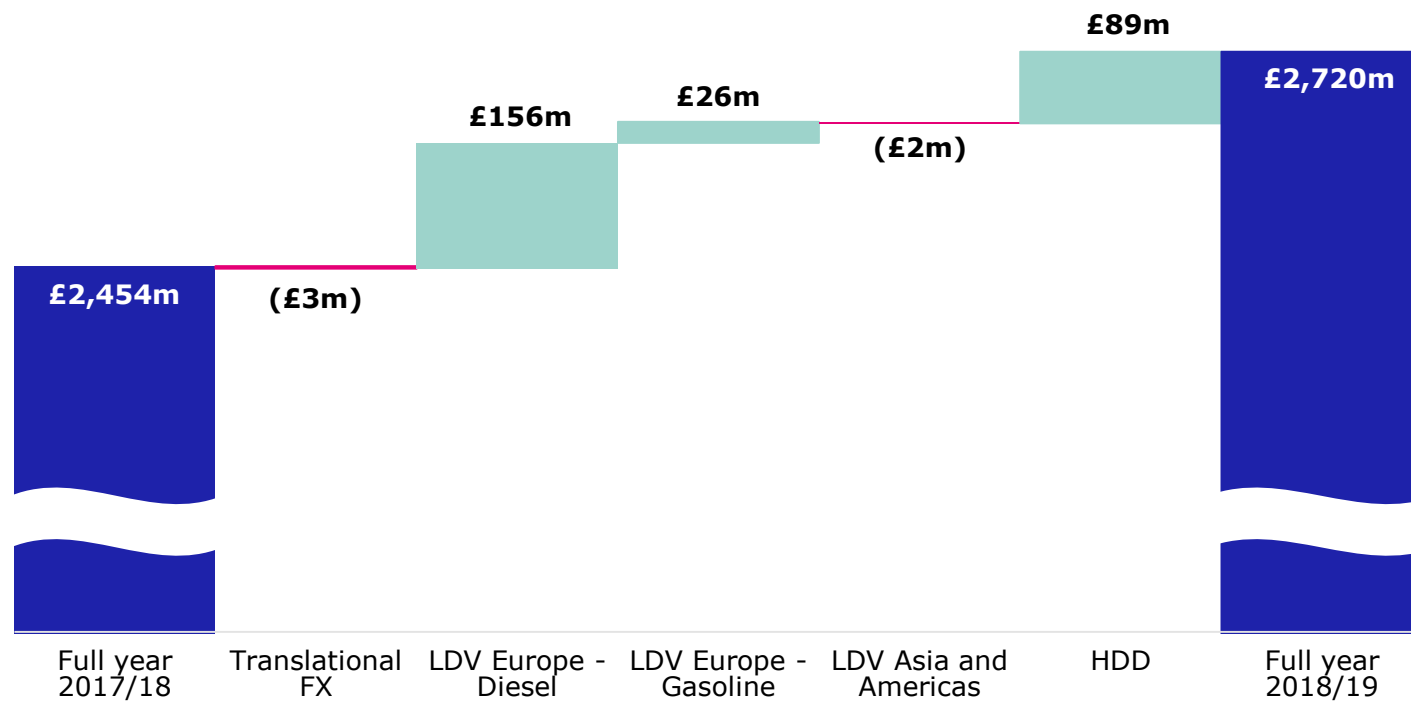
Three quarters of procurement initiatives will benefit the income statement

Some benefits being reinvested in the business to drive growth



Clean Air: Double digit sales growth in both light and heavy duty

Sales up 11%



2019/20 outlook: More modest growth in the year, weighted to H1

Operating profit up 13%

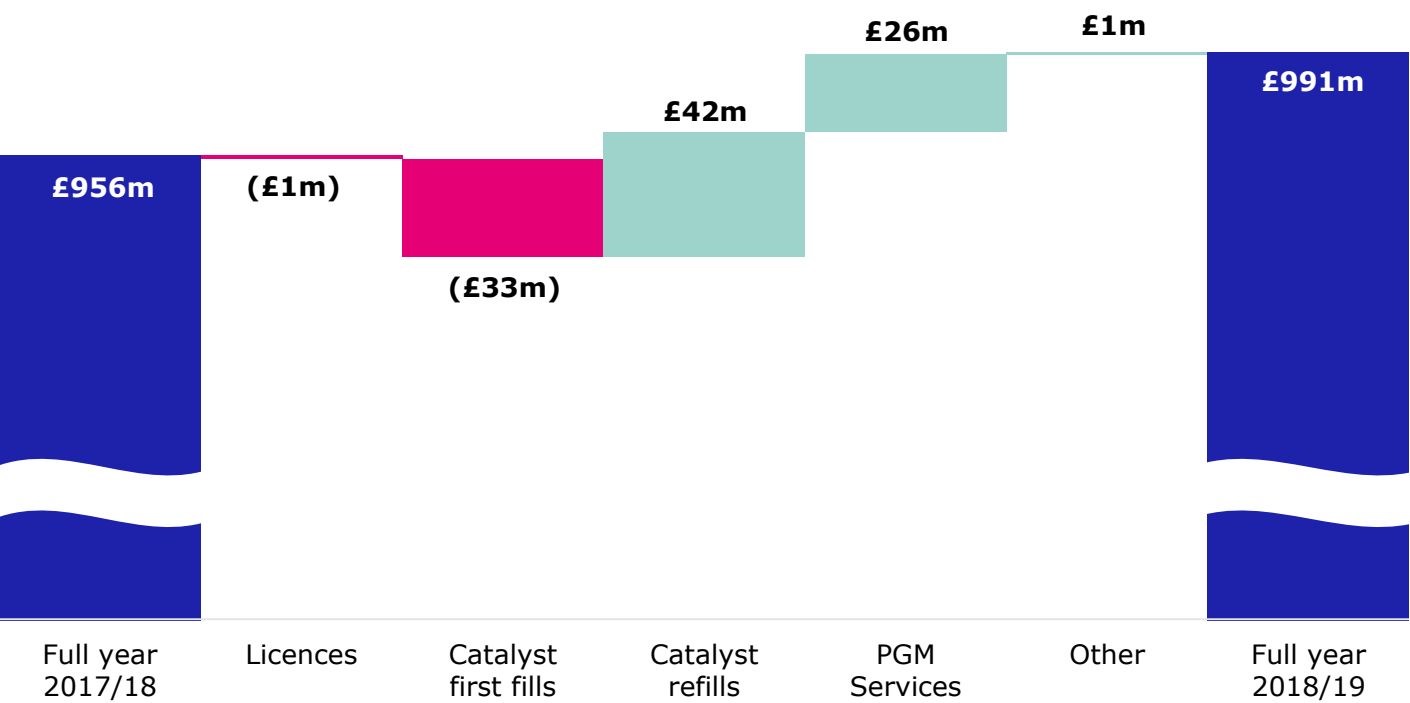
- Margin improved to 14.4%, up 0.2ppt
- Volume leverage

Strategic progress

- Achieved 20ppt increase in light duty diesel market share in Europe
- Construction of new plants in China and Poland well underway; India early stages
- Maintained c.14% margin

Efficient Natural Resources: Sales growth and margin improvement

Sales up 4%



Operating profit up 15%

- Margin improved to 18.3%, up 1.8ppt
- Higher average pgm prices (+c.£16m)
- Net benefits from improved efficiencies
- Partly offset by investment in pgm refineries and weaker AGT performance

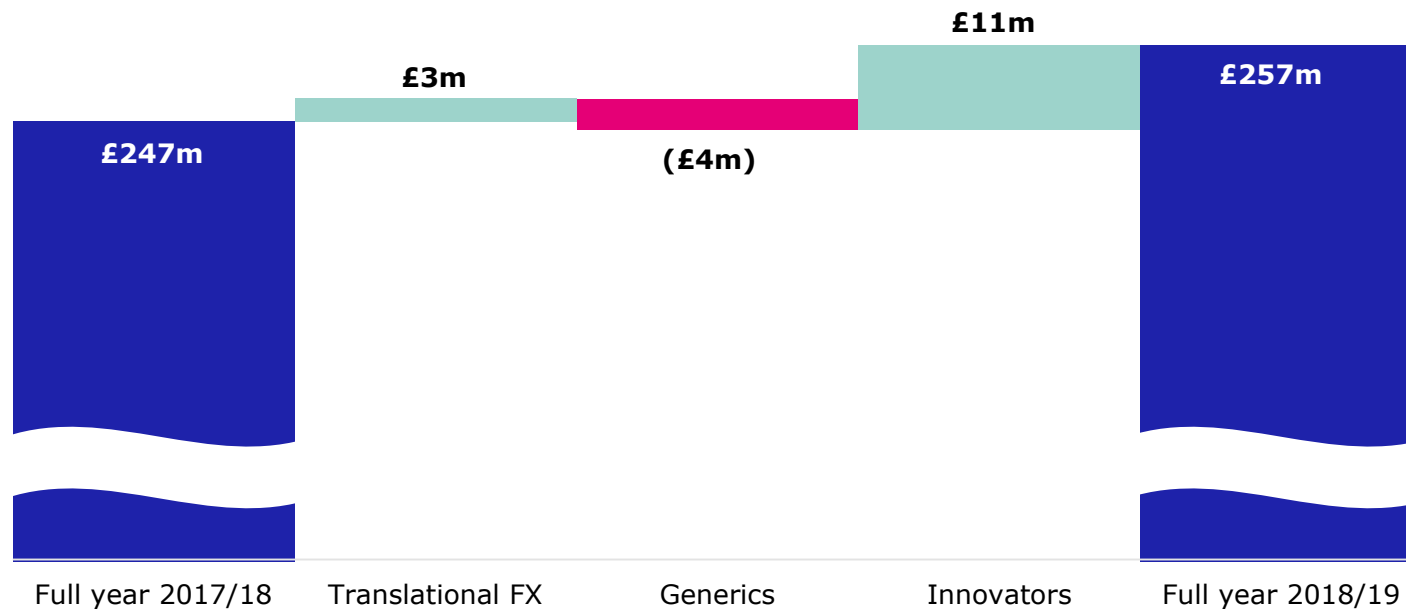
Strategic progress

- Simplified product portfolio
- Commercialised newly developed technologies
- Restructuring substantially complete

2019/20 outlook: operating profit growth ahead of sales

Health: Sales growth with operating profit slightly down

Sales up 3%



Operating profit slightly down

- Decline in high margin products moving through life cycle
- Net costs due to manufacturing footprint optimisation

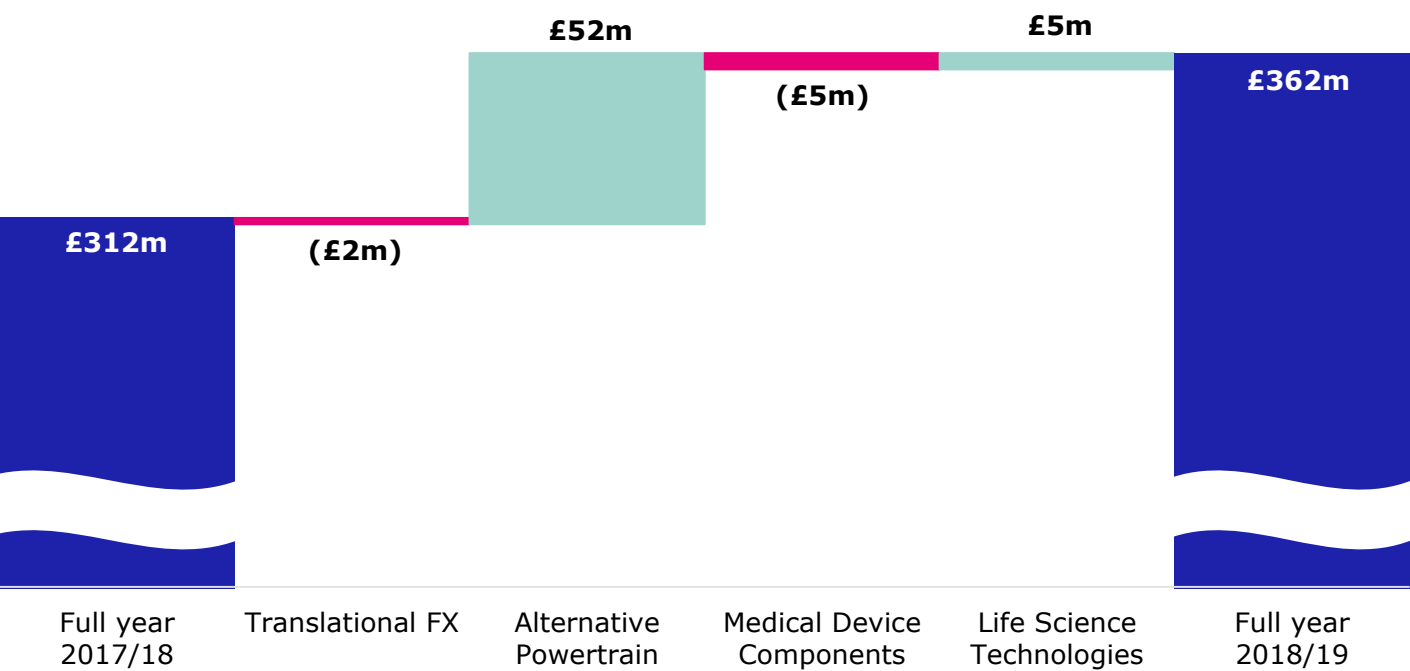
Strategic progress

- Rationalised manufacturing footprint
- Invested and further progressed our API pipeline of generics and innovators

2019/20 outlook: sales broadly stable and operating profit to grow double digit

New Markets: Strong sales growth; eLNO commercialisation on track

Sales up 17%



Operating profit down 85%

- Higher costs due to eLNO investment
- Strong growth in lower margin battery systems sales
- Quality issues in Medical Device Components

Strategic progress

- Significant progress in development and commercialisation of eLNO
- Fuel cells now profitable and investing further to sustain momentum

2019/20 outlook: sales and operating profit growth

EPS growth slightly ahead of underlying operating profit growth

Underlying results for year ended 31 st March ¹	2019 £m	2018 £m	% change	% change, constant rates
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Reported results impacted by one-offs

Year ended 31 st March	2019 £m	2018 £m
Underlying operating profit	566	525
Loss on disposal of businesses	(12)	(7)
Loss on significant legal proceedings ¹	(17)	(50)
Amortisation of acquired intangibles	(14)	(19)
Major impairment and restructuring charges ²	8	(90)
Operating profit	531	359

Free cash flow impacted by working capital

Free cash flow (£m)

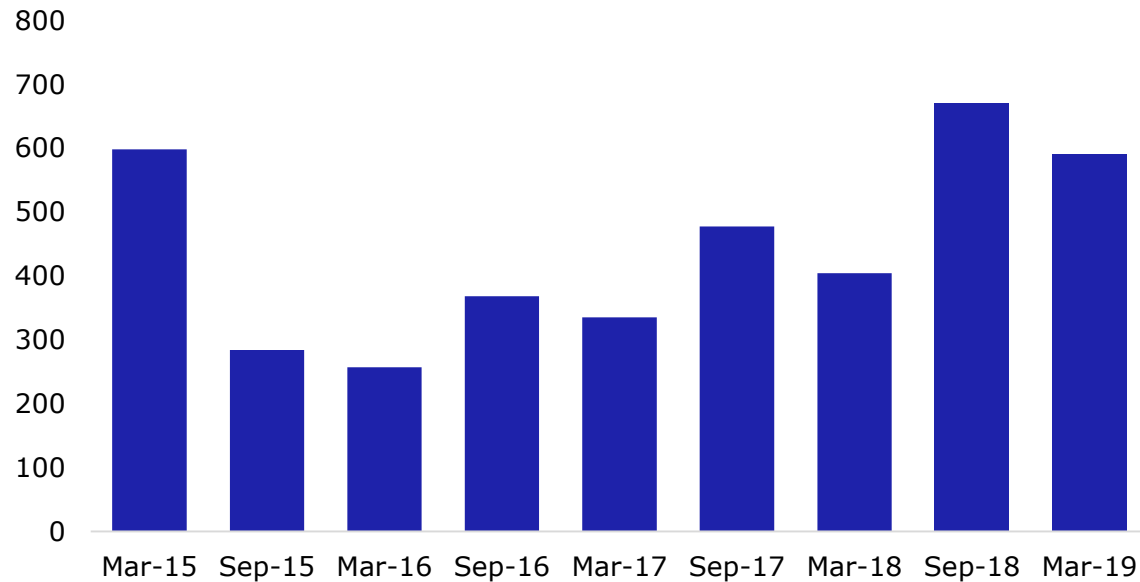
Year ended 31 st March	2019	2018
Underlying operating profit	566	525
Depreciation and amortisation ¹	159	160
Precious metal working capital outflow	(198)	(84)
Non precious metal working capital outflow	(26)	(64)
Net working capital outflow	(224)	(148)
Net interest paid	(47)	(42)
Tax paid	(95)	(77)
Capex spend	(300)	(209)
Other ²	(72)	(73)
Free cash flow	(13)	136

1. Excluding amortisation of acquired intangibles and restructuring impairments.

2. Includes movements in provisions and pension contributions in excess of service cost. 2017/18 also includes legal settlement and restructuring cash costs.

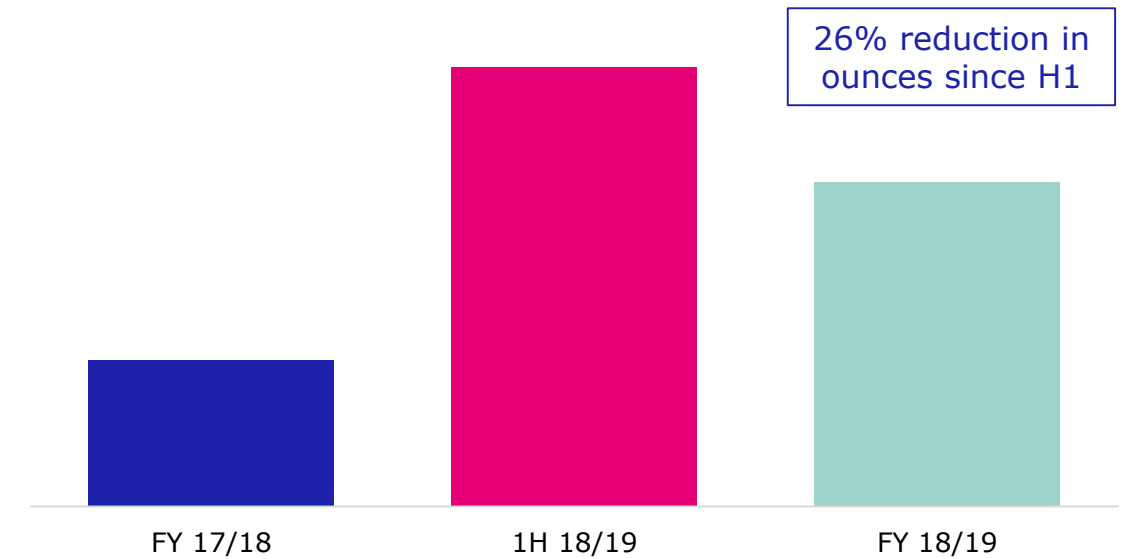
Precious metal working capital impacted by backlogs

Precious metal working capital (£m)



- Precious metal working capital improved £81m since H1
- Progress on backlogs masked by higher average precious metal prices

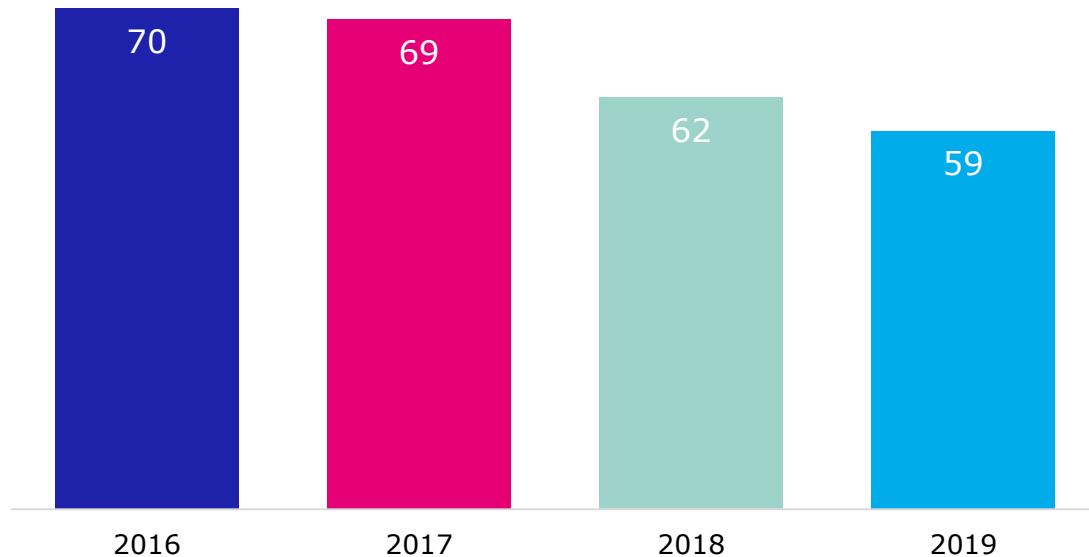
Precious metal backlog ('000 Oz)



- Good progress on reduction of ounces of precious metals in backlogs
- Expect to return to a normalised level in 2020/21
- Average Palladium price up 20% in 2018/19

Improvement in average non precious metal working capital days

Average working capital days excluding precious metals, year ended 31st March



Average working capital days were 59, an improvement of 3 days

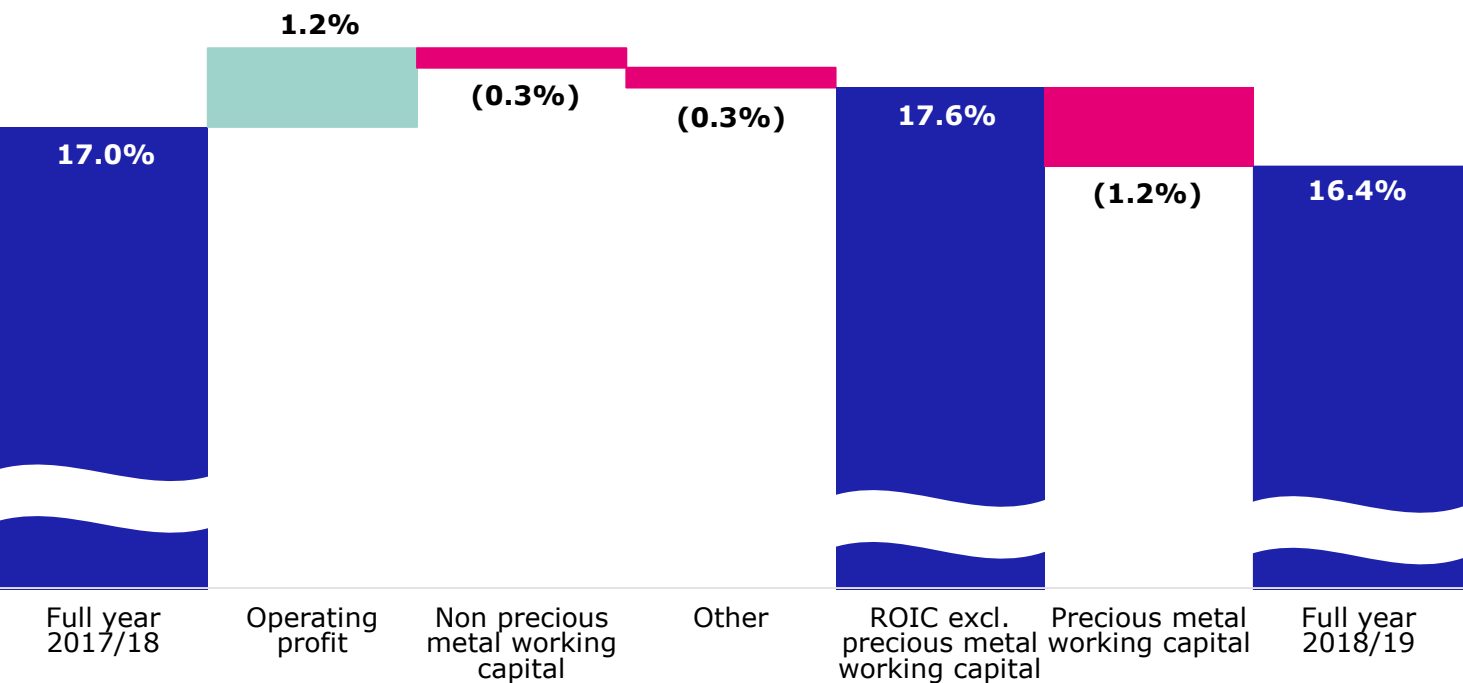
11 day improvement since 2016

Continue to drive improvement in working capital

Strong balance sheet, net debt to EBITDA 1.3 times¹

	£m	£m
Net debt at the beginning of the year		(679)
Free cash flow	(13)	
Dividends	(156)	
Movement in net debt before FX		(169)
Net debt before FX		(848)
FX		(18)
Net debt at the end of the period		(866)

Return on invested capital



Return on invested capital

- ROIC is 16.4%, down 0.6ppt from the prior year
- Precious metal working capital increased due to backlogs and higher average pgm prices
- Investing for growth in near term
- Remain on track for 20% ROIC in medium term

2019/20 outlook

Operating performance within medium term guidance of mid to high single digit growth

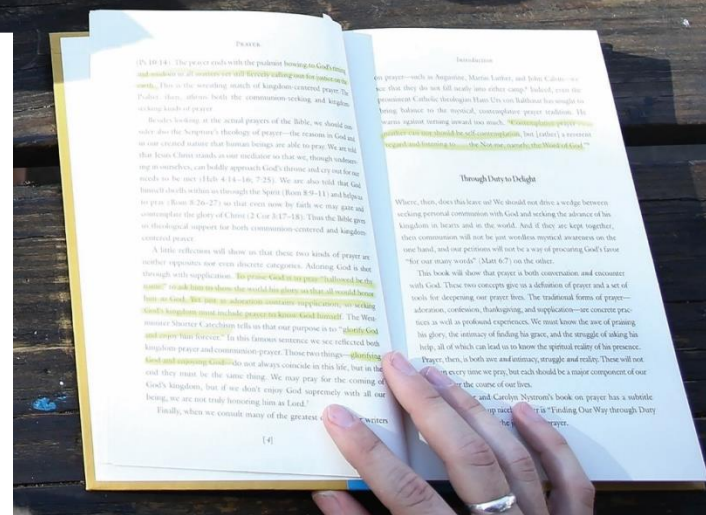
Improvement in average working capital days (excluding precious metals)

Capex up to £500 million

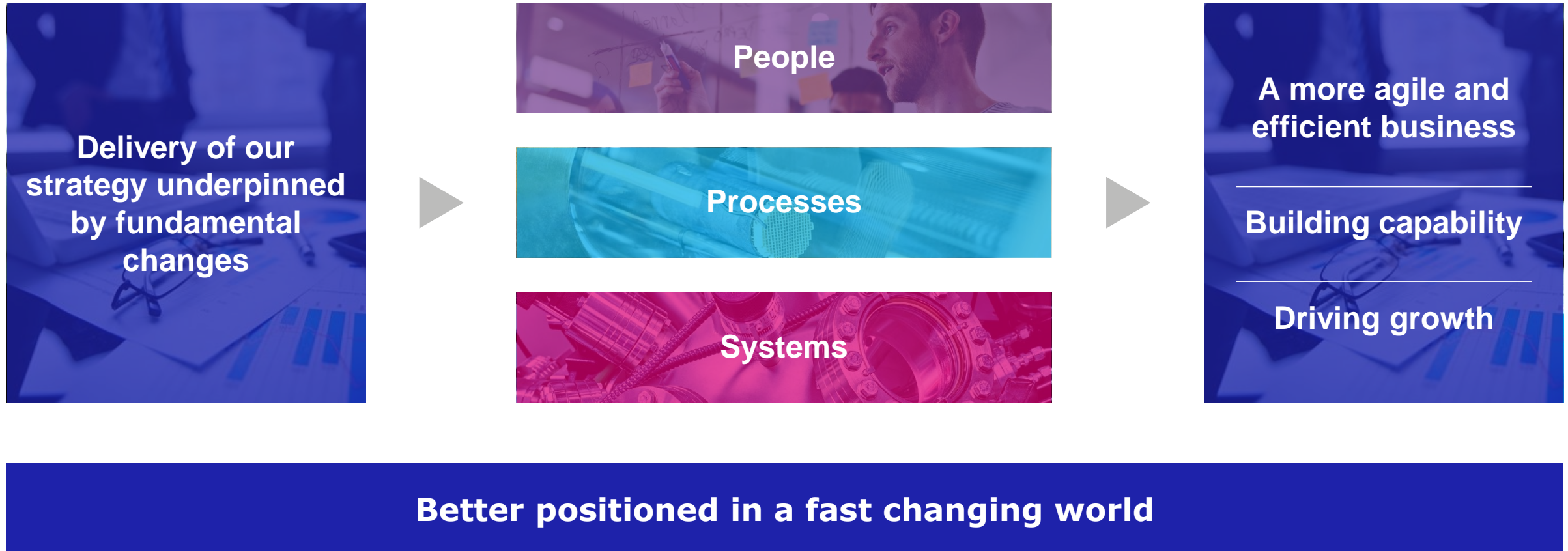


Robert MacLeod
Chief Executive

JM



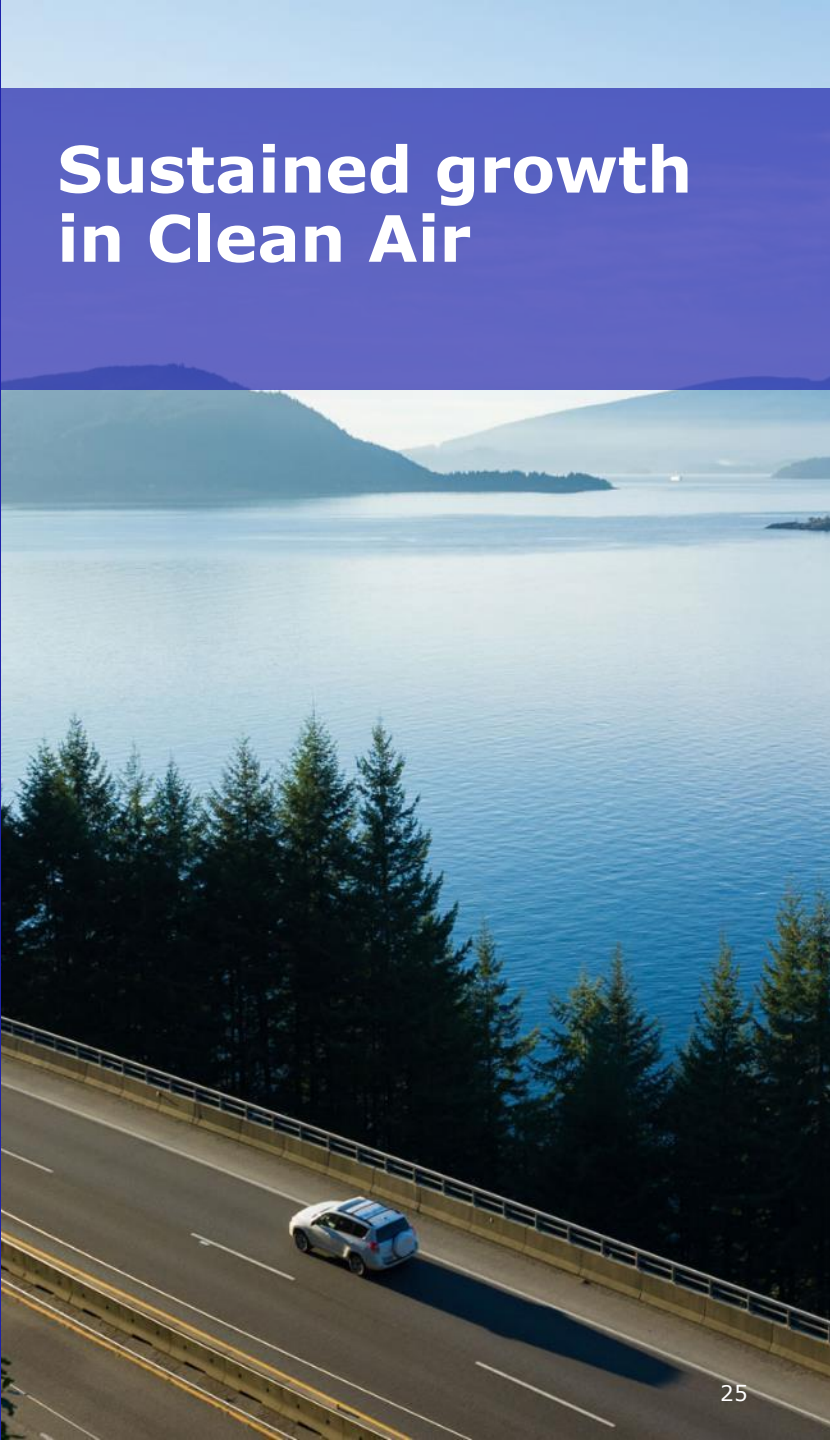
Creating a more agile and efficient business



Clean Air: delivering on expectations

Growth drivers	Strategy	Priorities
Improving air quality <hr/> Tighter emissions legislation, especially Asia	Global technology leadership	Maintaining technology leadership through R&D
	Customised solutions to meet tighter legislation	Capturing growth from further legislation change
	Efficient manufacturing footprint	Completing and ramping up new capacity

Delivering a mid single digit CAGR sales growth with a broadly flat margin



Sustained growth in Clean Air

Building for the future

Poland plant



China plant



Sustained growth in Clean Air

2017 to 2019

2019 to 2025

Strong growth driven by:

- Additional c.20 ppts share in Europe Light Duty diesel
- Tightening legislation in Europe

Growth driven by:

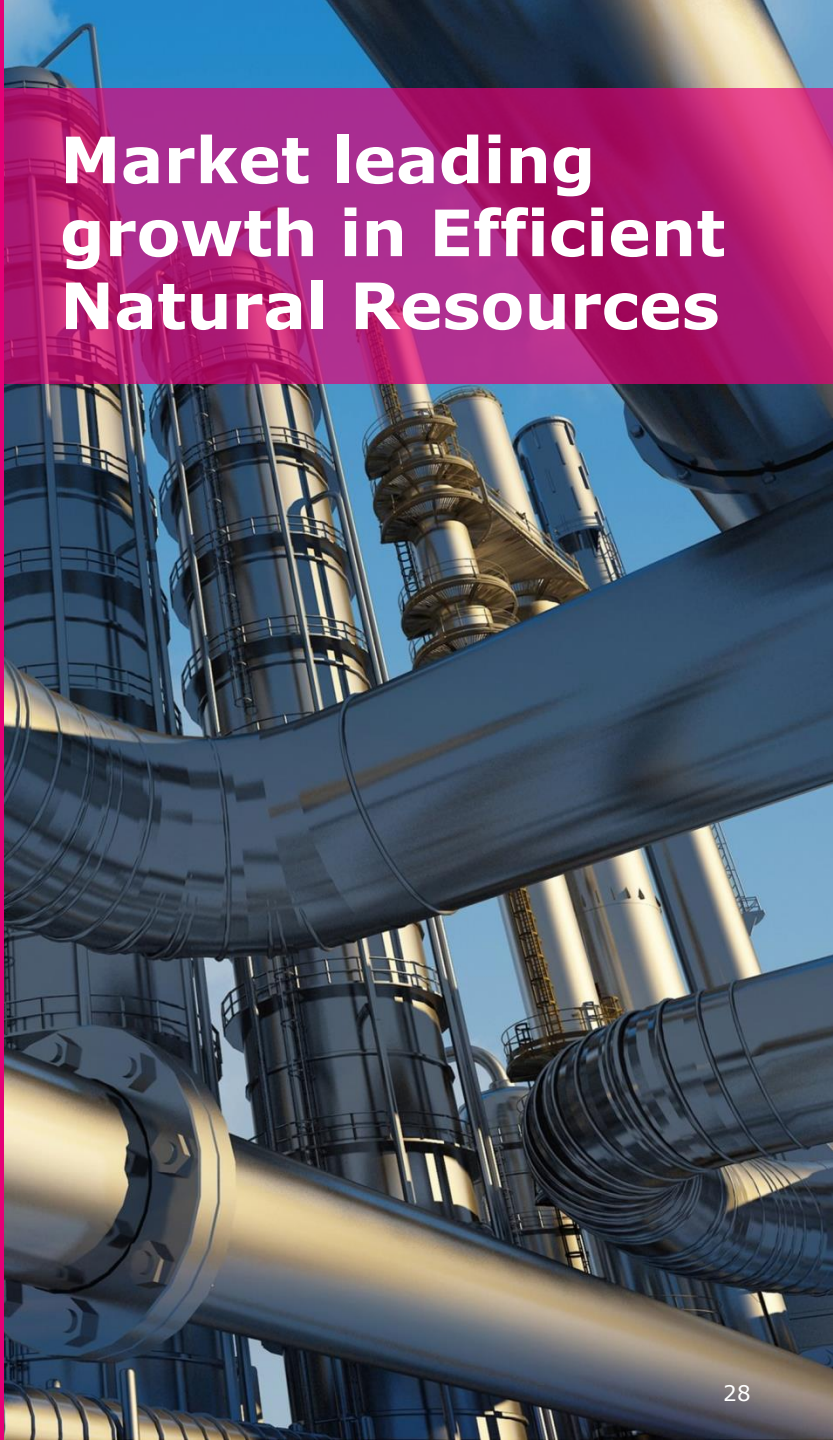
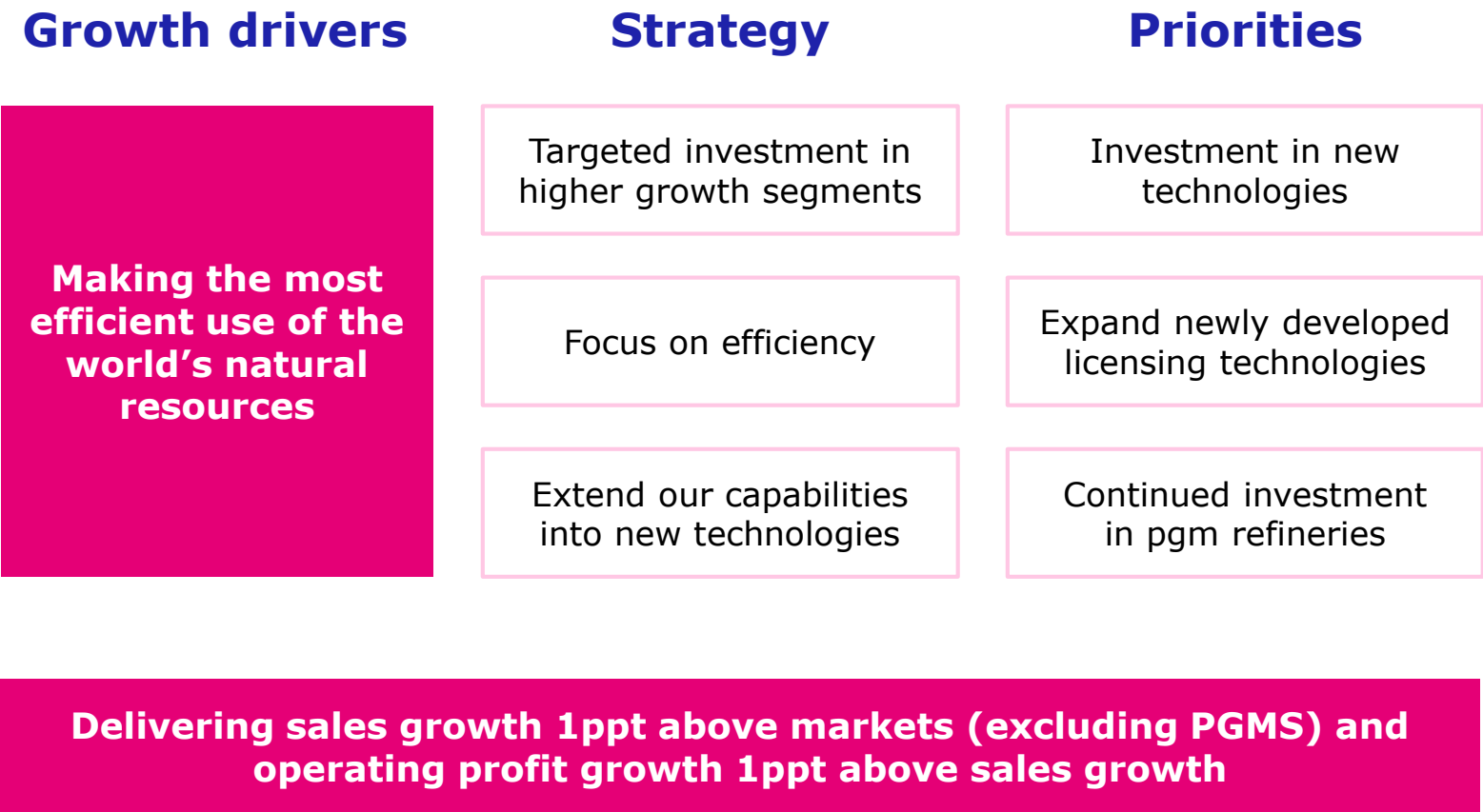
- Tightening legislation in Europe and Asia
 - Europe 6 LD – up to 2x value
 - China 6 LD – up to x2 value
 - China VI and Bharat 6 HD – x3 value

Partly offset by:

- Continued Europe diesel decline and BEV penetration

Confident in sustained growth over the medium term

Efficient Natural Resources: solid progress



Market leading growth in Efficient Natural Resources

Health: significant operational progress

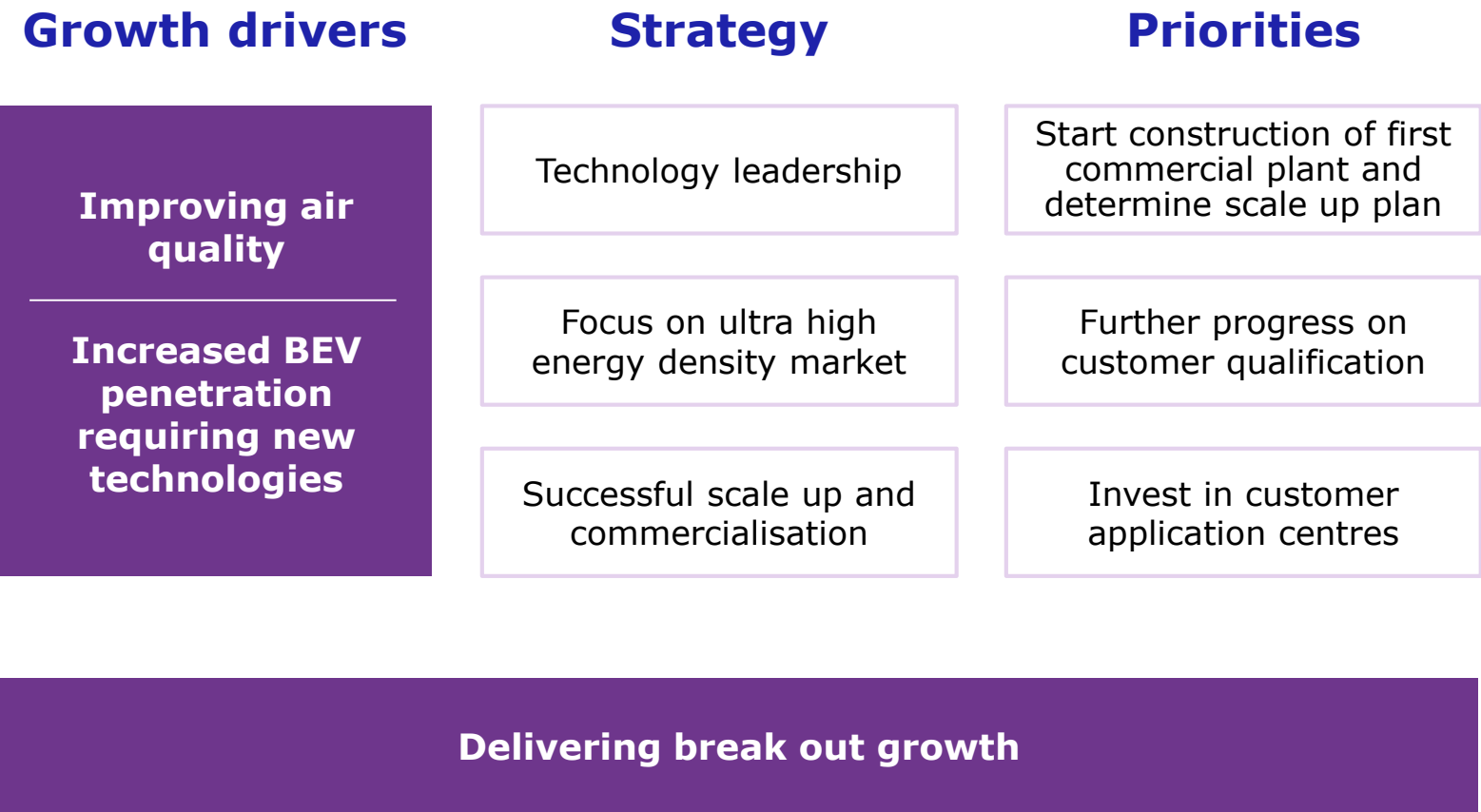
Growth drivers	Strategy	Priorities
Increased healthcare costs driving more targeted and potent APIs	Enhance performance of existing business	Leverage our optimised manufacturing footprint
	Expand new product pipeline and portfolio	Generic pipeline to deliver c.£100m additional operating profit by 2025
	Build capabilities to better support customers	Enhance our capabilities

Delivering break out growth



Break out growth
in Health

Battery Materials: significant progress



**Break out growth
in Battery Materials**

Tailoring solutions for our customers

Adding value for our customers

- *"JM is a **preferred** cathode material company to work with due to fast response, **willingness to customise** the product [and] investing in science"*
- *"We **value JM's scientific approach** and are encouraged by JM's plans to continue to **invest** in application testing capabilities"*
- Results from testing for a leading OEM show best in class performance for the majority of attributes tested, with top quartile for all attributes¹

Customer application centre

- Three **best in class** application centres
- **Global focus** – two in the UK and one in Japan with a plan for further expansion
- **Range of facilities** from laboratories to demonstration cell manufacturing capability
- Key to delivering the **tailored solutions** our customers are asking for

Confident in our future

Another good year; delivered in line with expectations

Fundamentally changing the organisation as we execute our strategy

Strengthening our platform for growth

Exciting future prospects

Mid to high single digit EPS CAGR

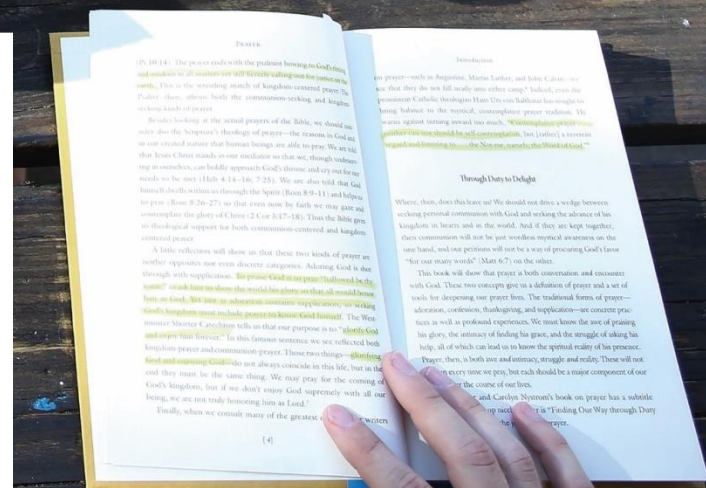
Expanding ROIC to 20%

Progressive dividend



Appendix

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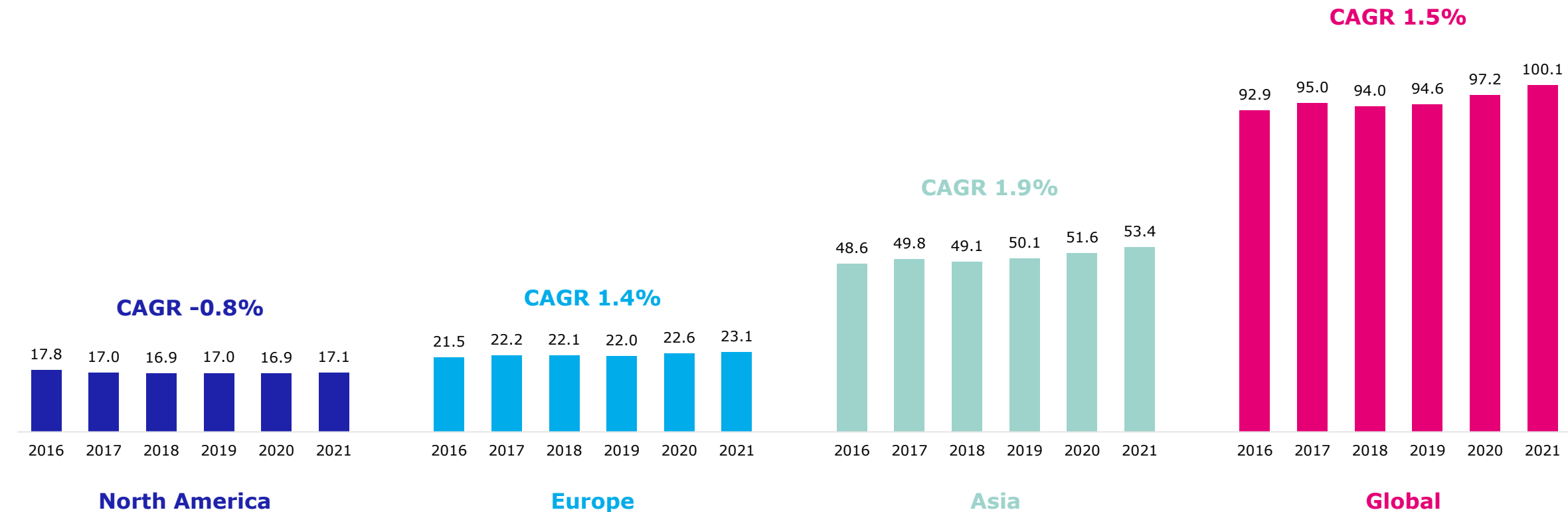


Light duty emissions control legislation roadmap

	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 ₂			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 ₂				
South Korea (Diesel)	EU 6b				EU 6c/ Euro 6d temp		Euro 6d final/ 97g/km CO ₂			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

On Road

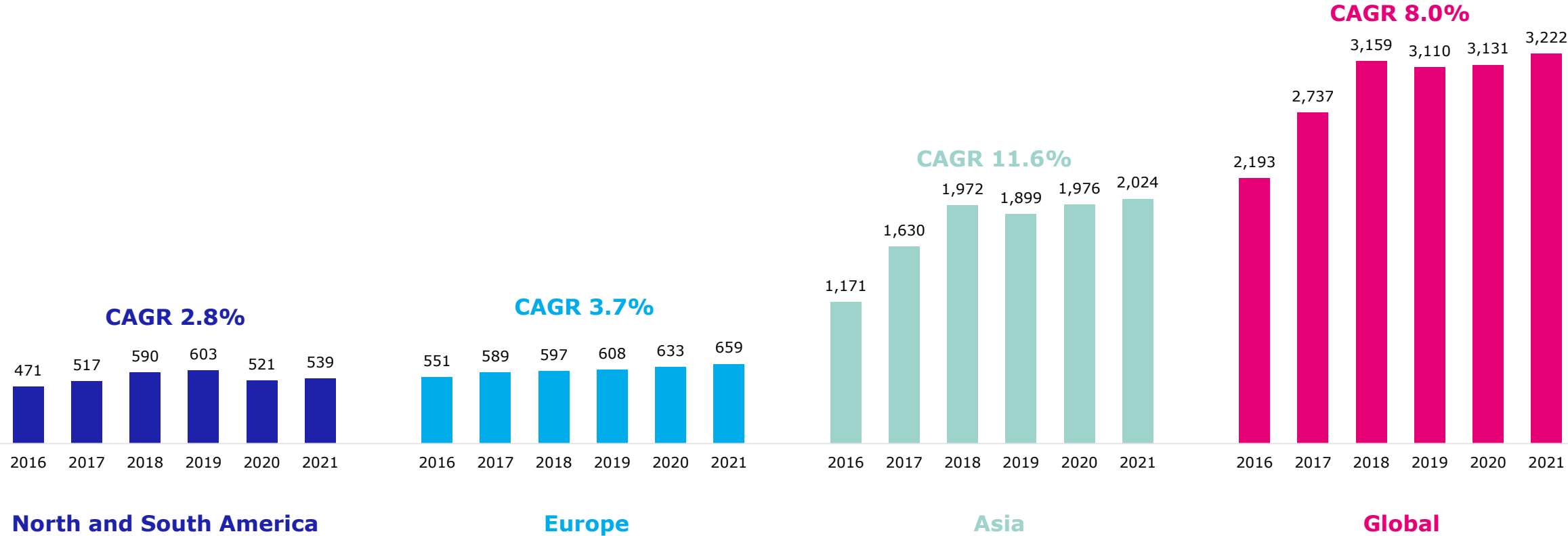
On Road	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Europe	EU VI									EU VII?	
North America	GHG Phase 1					GHG Phase 2					
North America (CARB)	GHG Phase 1					GHG Phase 2				CARB Ultra Low NOx	
Japan	JP09	JP16									
South Korea	EU VI									EU VII?	
Brazil	EU IV						EU V?				
Russia	EU IV		EU V?					EU VI?			
India (Main Cities)	BS IV						BS VI	BS VI / PEMS			
India (Nationwide)	BS III	BS IV				BS VI	BS VI / PEMS				
China (Beijing & big cities)	China V				China VI a				China VI b		
China (Nationwide)	China IV		China V			China VI a		China VI b			

Non-road

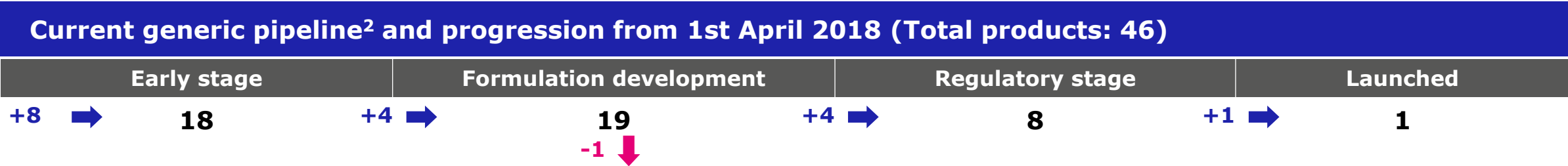
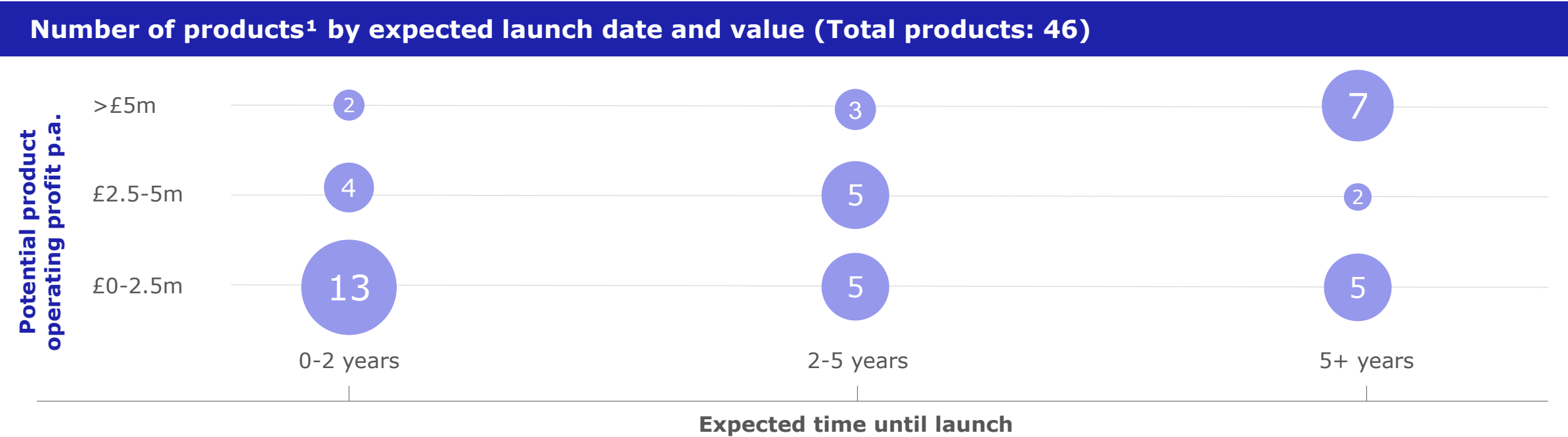
Europe	Tier 4b			Stage V			
North America	Tier 4b				CARB/EPA Reduced NOx/PM?		
Japan	Tier 4b						
South Korea	Tier 4b			Stage V?			
Brazil	Tier 3			Tier 4a?		Tier 4b?	
China	Tier 3			Tier 4a(TBD)			Tier 4b?
India	Tier 3			Tier 4f		Tier 5	

Heavy duty diesel vehicle production (regulated engines)

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



Health: Generic pipeline on track to deliver an additional c.£100m operating profit per year by 2025



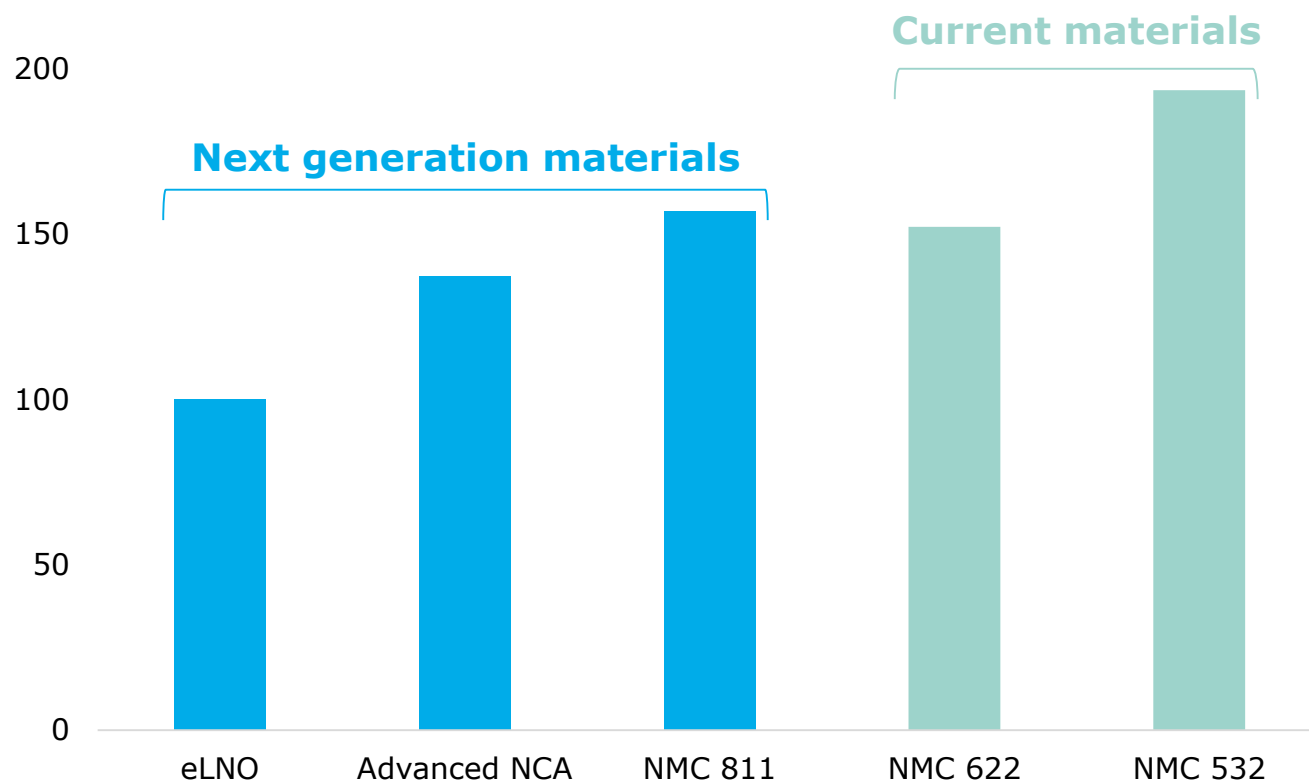
JM

1. Size of bubbles proportional to number of products.
2. Current pipeline as at April 2019.

eLNO has superior performance

\$ per kWh per cycle to end of useful life¹

(chart to scale, indexed with eLNO = 100)



Step change in energy density from current materials

Lower cobalt content than current materials

Lower \$ per kWh per cycle than current and future materials¹

eLNO: Commercialisation on track

Stage	Validation	A sample	B sample	C sample	Battery cell in production	Model in production
Summary	Early testing	Basic performance	Extended performance: basic plus safety, life performance	Full-scale functionality		
Volume Required	kgs	< 10t	c.200t	c.300t		
JM Supply	kgs	Pilot plant	Demo plant	Commercial plant		
Timing		c.12-18 months	c.12 months	c.12 months		
Calendar year		2019	2020	2021		
<div> <div>● Today</div> <div>● Start of commercial production in 2021/22</div> <div>● Supplying platforms in production in 2022/23</div> </div>						