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Johnson Matthey
Inspiring science, enhancing life

Clean Air: delivering sustainable cashflow

Monday 7th February 2022

Cautionary statement

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Introduction

1. Well positioned to target high growth, high return opportunities across decarbonisation, hydrogen technologies and circularity positioning JM at the forefront of the net zero transition

2. Deep expertise in complex pgm chemistry underpins our leading market positions and competitive advantages across our world-class portfolio of technologies

3. Clean Air has attractive positions in a durable market underpinned by continued legislation and is on track to deliver at least £4bn of cash over the next decade[1]

4. Focus on execution, efficiency, capital allocation and commercialising growth opportunities

5. Strategic update from Liam Condon in May 2022

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1. Driving at least £4bn of cash under our range of scenarios from 1st April 2021 to 31st March 2031. Cash target pre-tax and post-restructuring costs.

Today's presenters

Alastair Judge

Chief Financial Officer and Interim Chief Executive

Over 30 years' experience in finance leadership roles

Previous leadership positions at Avon Products Inc, Asda Stores and Unilever Plc

Peter Hill

Chief Commercial Officer and Transformation Director

Over 25 years' experience in automotive supplier and materials industries

Previously Chief Marketing Officer and VP Product Management at Honeywell

Millissa Flanagan

Chief Operations Officer

Over 30 years' experience in chemicals, metals, minerals, plastics and refining

Previous leadership positions in Conoco, GE, Novelis, SABIC and AkzoNobel

Agenda

01	**Clean Air overview**	Alastair Judge
02	**Market**	Peter Hill
03	**Operations**	Millissa Flanagan
04	**Cash generation**	Alastair Judge

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Clean Air overview

Alastair Judge

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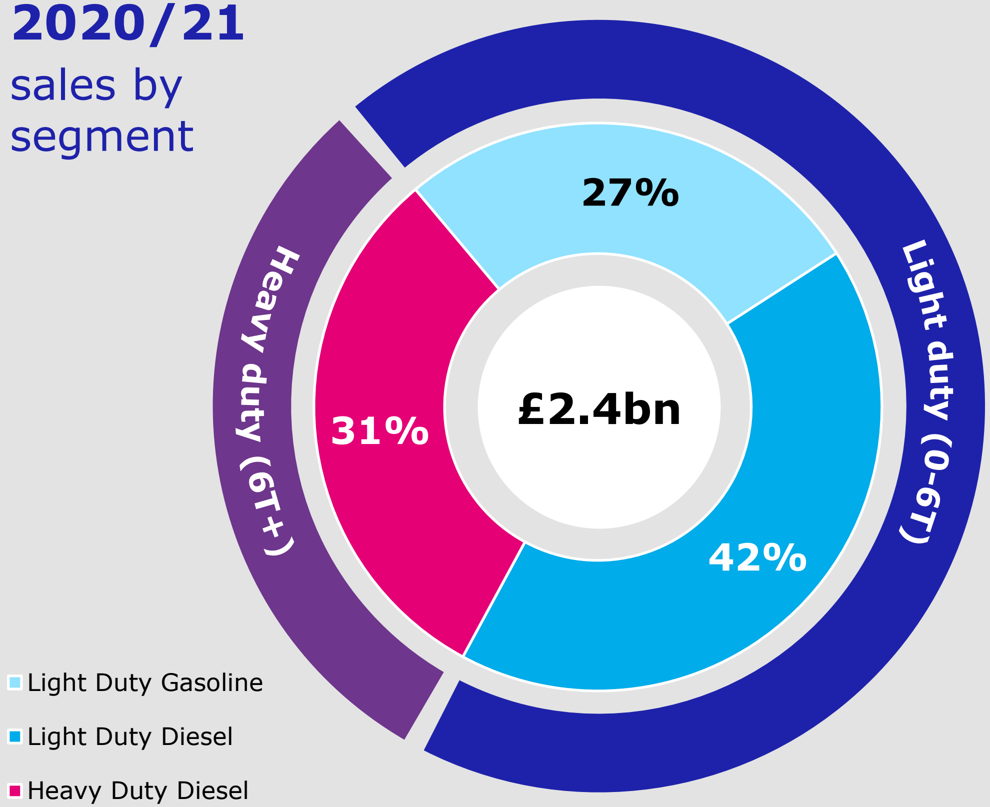
Clean Air overview: delivering on our strategy

2020/21
sales by segment



Winning in a durable market

Leadership positions in LDD and HDD

Selectively targeting Euro 7 gasoline platforms

01

Efficiency levers

Cost base is c.25% fixed (c.£550m p.a. today), c.75% variable

Reducing fixed costs by c.£100-200m by 2030/31

02

Capital efficiency

Capex of c.£135m (average past three years)

Reducing to c.£50m by 2024/25 and c.£35m p.a. by 2030/31

03

Working capital reductions

Working capital unwind as business matures; c.£2bn at 1st April 2021

Releasing c.£1.2bn cash by 2030/31 in our base case

04

On track to deliver at least £4bn of cash by 2030/31[1]

Note: Sales excluding precious metals. LDD – Light duty diesel, HDD – Heavy duty diesel.
1. Driving at least £4bn of cash under our range of scenarios from 1st April 2021 to 31st March 2031. Cash target pre-tax and post-restructuring costs.

Clean Air remains a cash generative business of scale in 2030/31 and beyond

Sales of c.£2bn, of which c.50% HDD

Lean footprint and organisation, retaining technology leadership

Robust low double digit margins

Working capital of c.£0.8bn

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Note: reflects our base case scenario. Sales excluding precious metals. HDD – heavy duty diesel.

Market

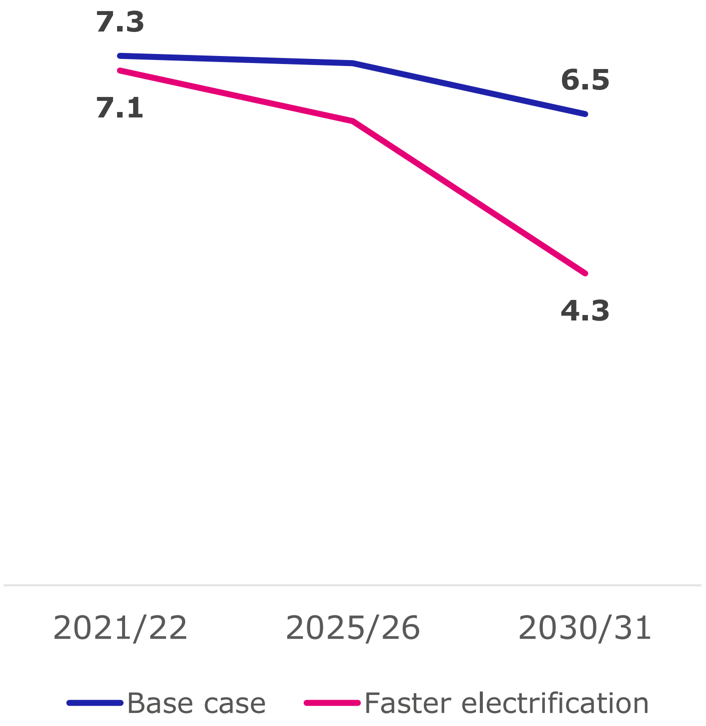
Peter Hill

Clean Air is serving a durable, global market

Macro trend	2030/31 market impact (-/+)	Timing
Global LD vehicle market grows from c.75m to c.100m vehicles[1]		2022-2025
Legislation tightening in LD and HD, focused on NOx and particulate emissions		2026-2030
Powertrain LD electrification increases from c.6% to c.30%+ globally[1]		2022-2030
LD Diesel penetration in Europe decreases from c.30% to c.10%[1,3]		2022-2025

Global market

Sales excluding pgms² (£bn)



Note: LD – light duty, HD – heavy duty, NOx – nitrogen oxide.
1. JM and IHS estimates. Production of 0-6 tonnes vehicles globally in 2030/31.
2. JM estimates based on various external sources.
3. LD Diesel penetration in Europe of ICE vehicles.

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We have two key scenarios for powertrain evolution for 2030/31

	Metric	Base case	Faster electrification
01	Global LD vehicle production in 2030/31 (million vehicles)[1]	c.100m	c.90m
02	EU7 legislation[2]	2026	2027
03	% global LD BEV penetration in 2030/31[1]	c.30%	c.50%
04	Share of Europe LD ICE that is diesel in 2030/31[1]	c.10%	-

Note: LD – light duty, BEV – battery electric vehicle, ICE – internal combustion engine.
1. JM and IHS estimates. Production of 0-6 tonnes vehicles globally in 2030/31.
2. Expected implementation date for EU7 emissions legislation – 31st December 2026 (base case) and 31st December 2027 (faster electrification case).

Vehicle sizes

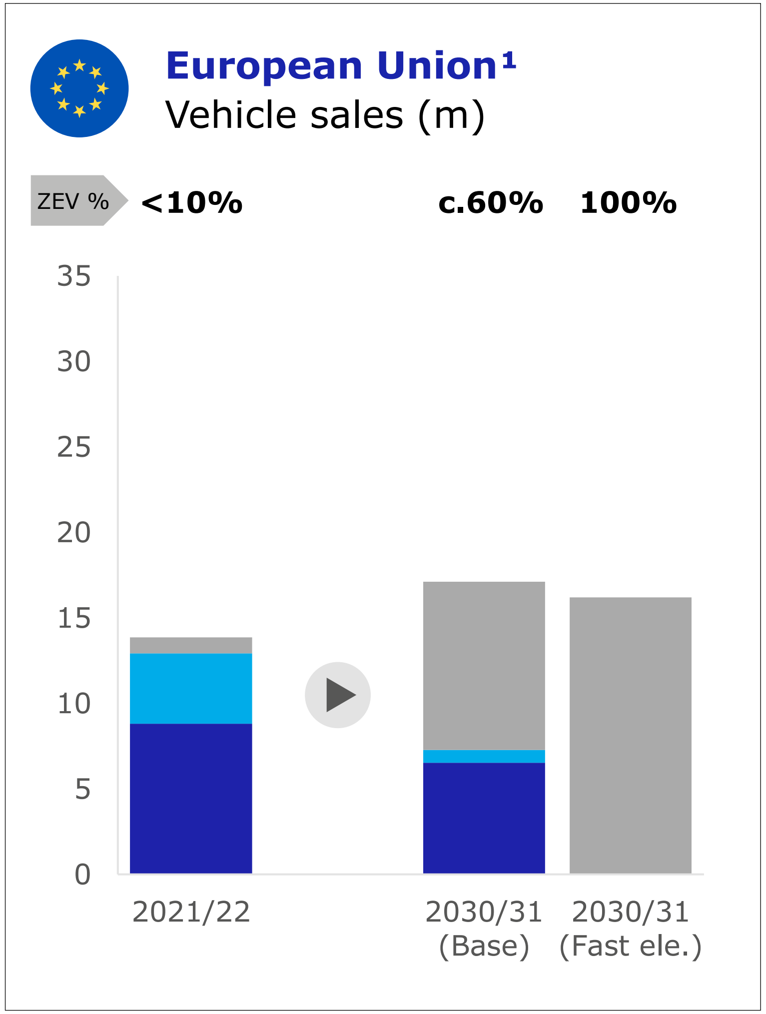
0-6 tonnes

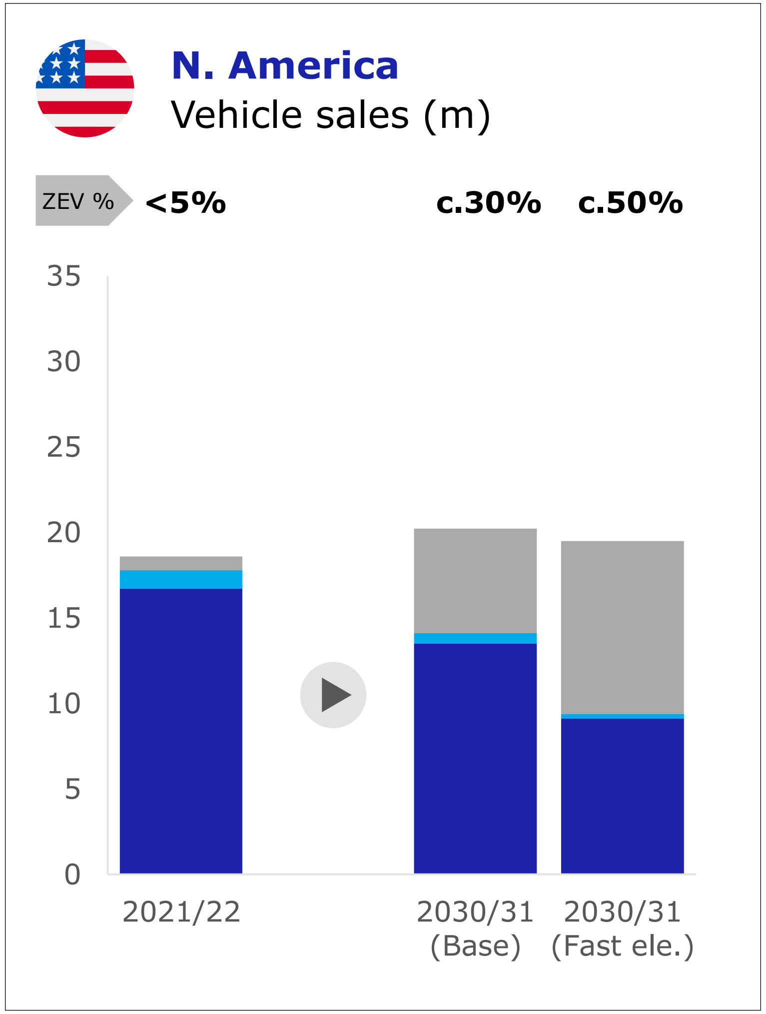
6+ tonnes

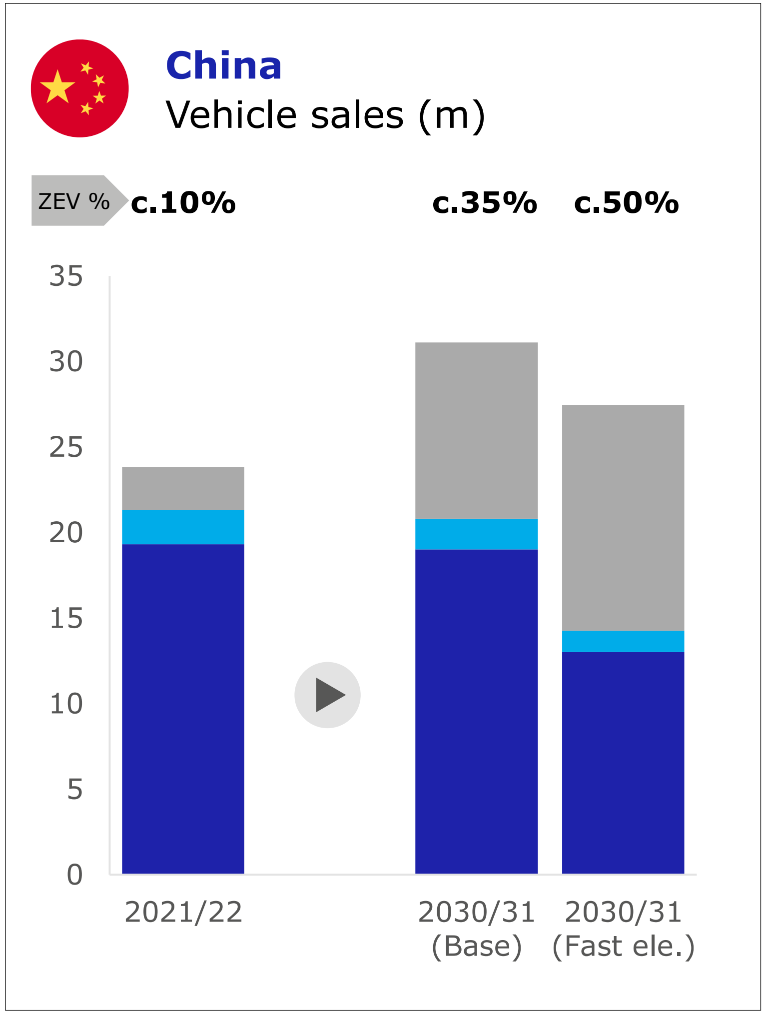
Note: illustrative examples of vehicles.

Light Duty (0-6T): shift to BEV will be fastest in Europe by 2030/31

Gasoline ICE Diesel ICE ZEV







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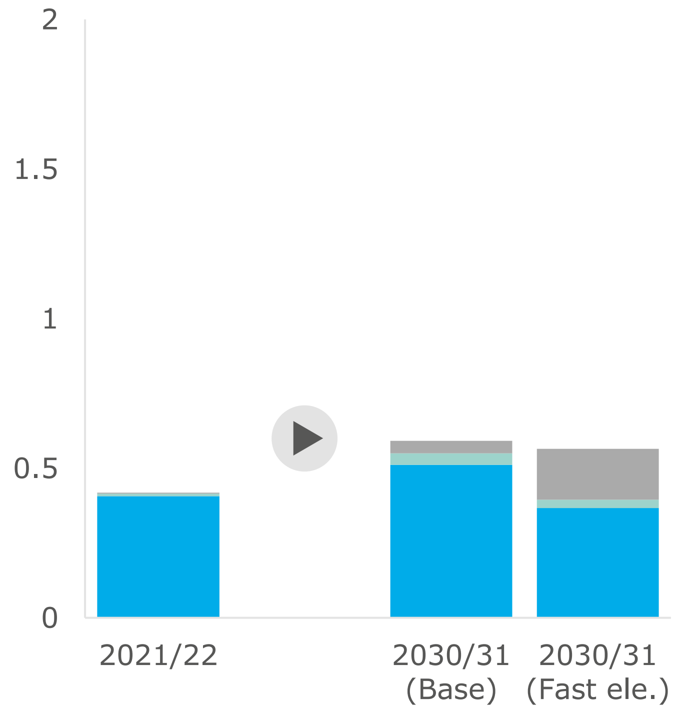
Source: JM estimates based on external IHS estimates.
Note: ICE includes ICE hybrid. ICE – internal combustion engine, ZEV – zero emission vehicle.
1. Includes EU, UK, Norway, Switzerland and the Balkans.

Heavy Duty (6T+): electrification constrained by infrastructure build

Diesel ICE | Other ICE | ZEV

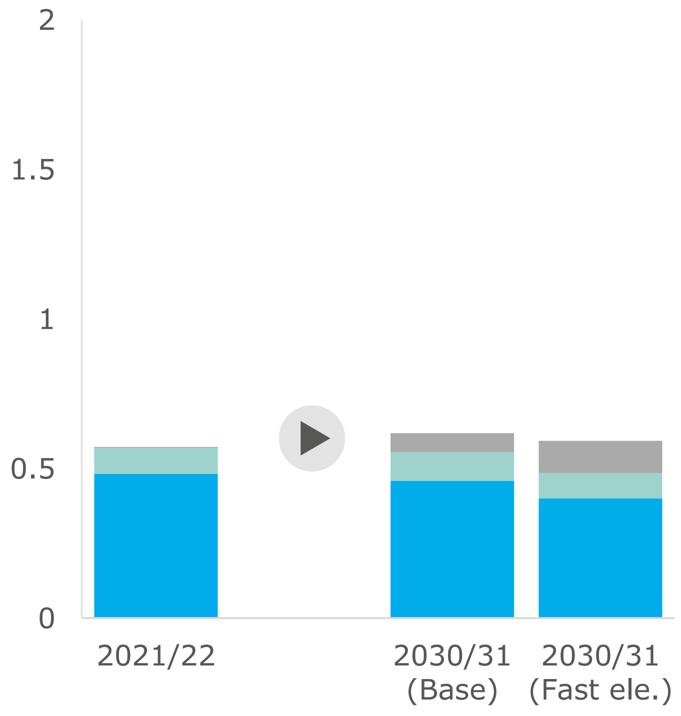
European Union[1]
Vehicle sales (m)

ZEV % <1% c.5% c.30%



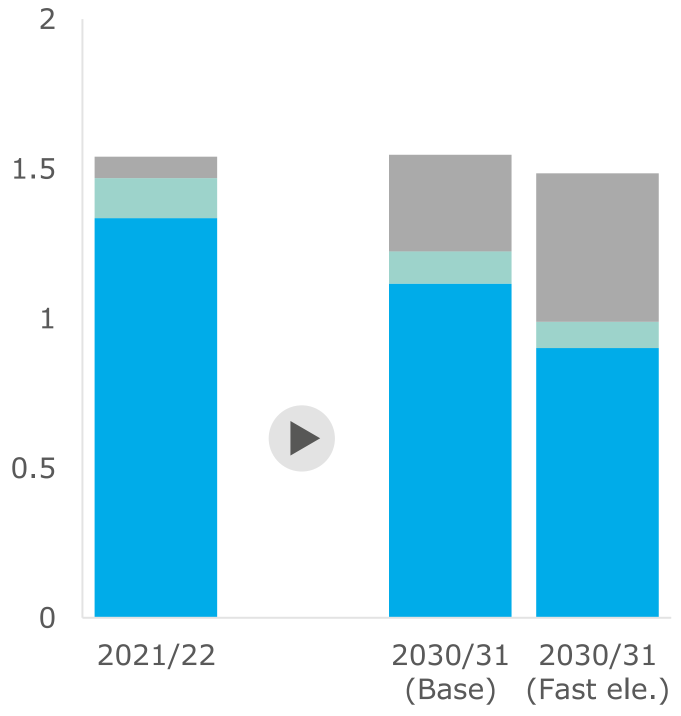
N. America
Vehicle sales (m)

ZEV % <1% c.10% c.20%



China
Vehicle sales (m)

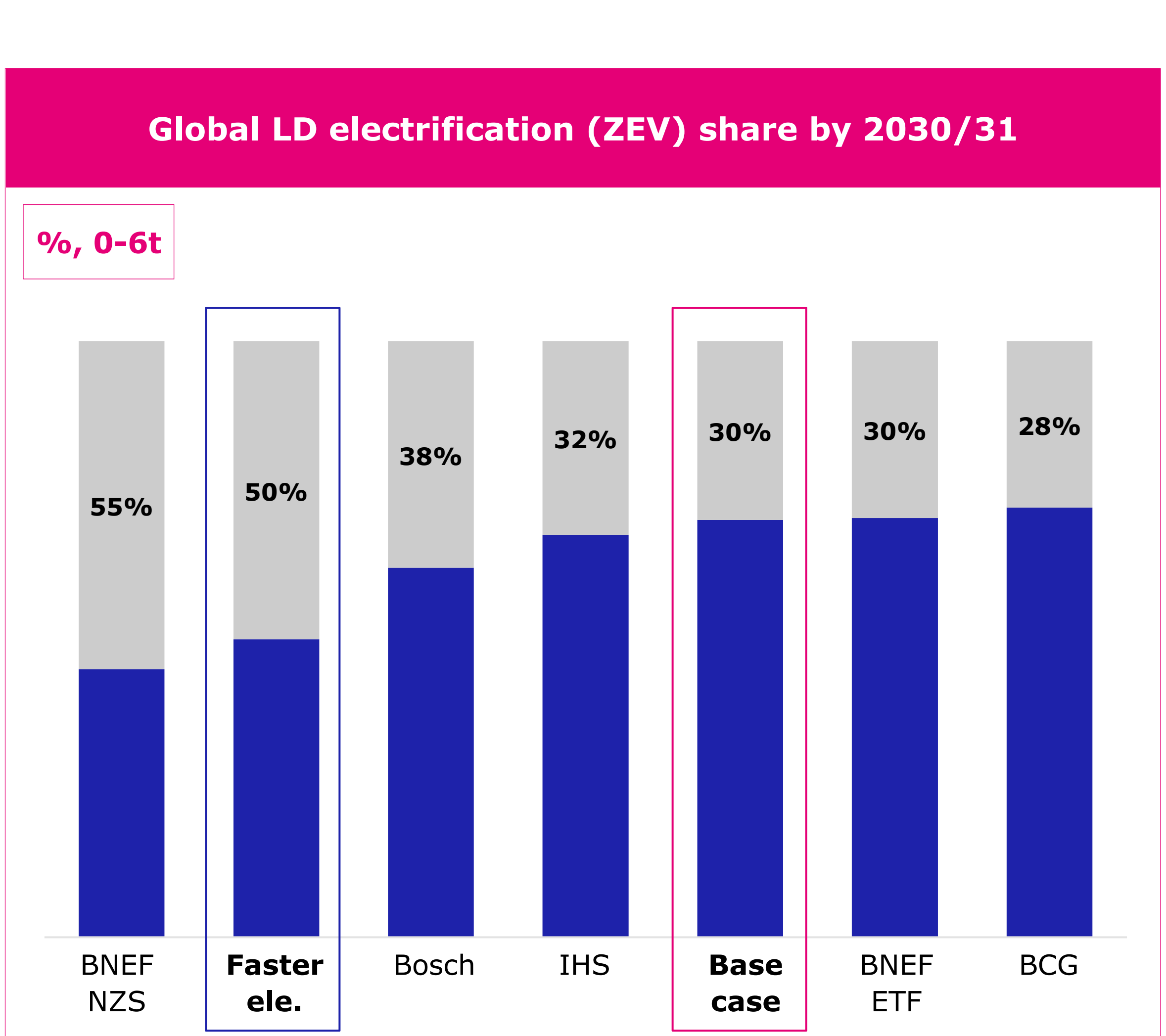
ZEV % c.5% c.20% c.35%



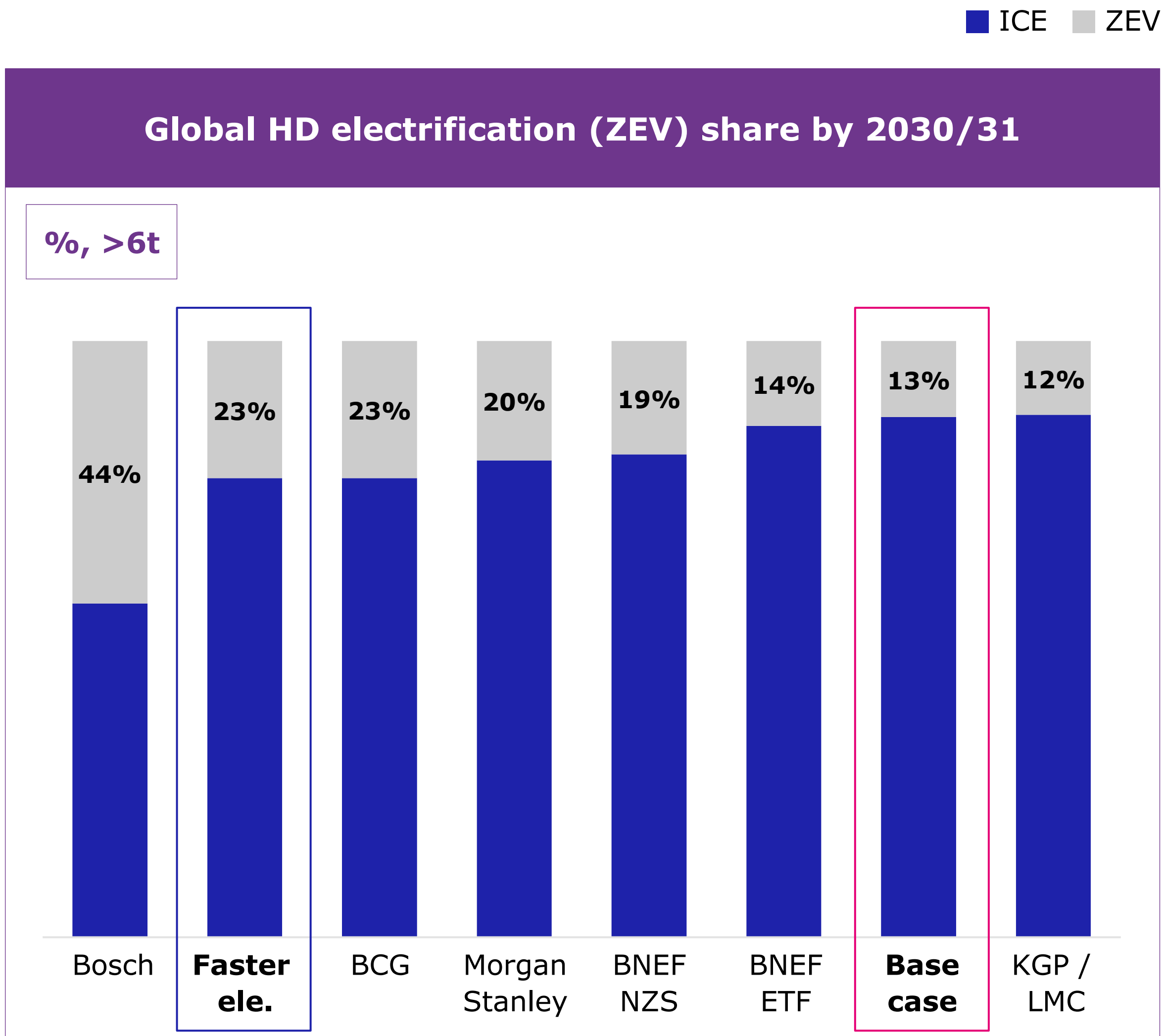
Source: JM estimates based on external IHS estimates.
Note: ICE includes ICE hybrid. ICE – internal combustion engine, ZEV – zero emission vehicle.
1. Includes EU, UK, Norway, Switzerland and the Balkans.

Our scenarios are well placed within the range of market scenarios

Global LD electrification (ZEV) share by 2030/31



Global HD electrification (ZEV) share by 2030/31

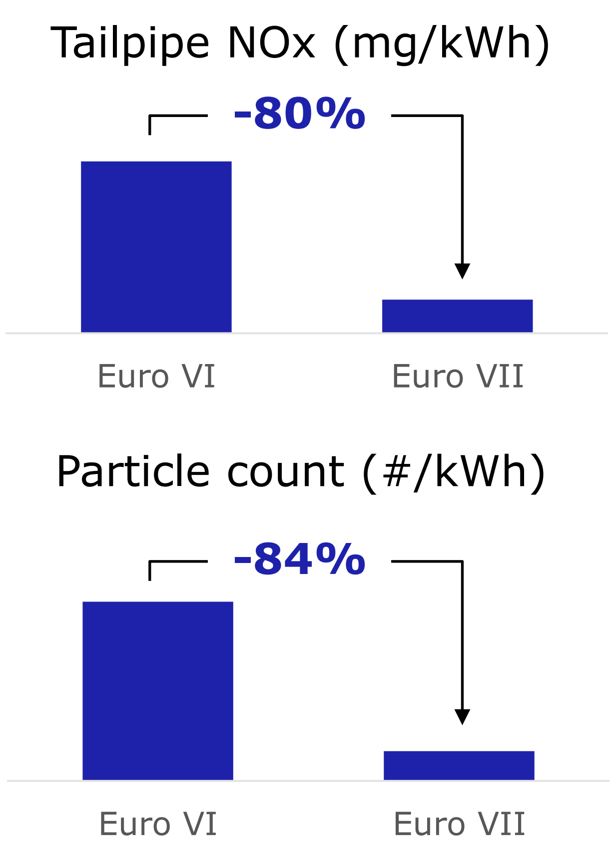


Note: ICE – internal combustion engine, ZEV – zero emission vehicle.
Source: external data sources (various). Note: calendar year 2030 approximated for 2030/31.

Significant tightening of legislation globally

	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	>>>
Light duty													
EPA	Tier 3 Phase-In						Tier 3		Tier 4				
CARB	LEV III Phase-In								LEV IV				
EU	EU6d	CF reduction/removal				EU7 (earliest)							
China	China 6a				China 6b RDE			China 7 (key cities)	China 7 (nationwide)				
India	BSVI					BSVI with RDE			BSVII (phase-in period likely)				
Heavy duty													
EPA	EPA 2010							EPA 2027				EPA 2031	
CARB	EPA 2010				CARB 2024			CARB 2027				CARB 2031	
EU	EU VI D/E					EUVII (earliest)							
China	China VIa					China VIb		China VII (key cities)	China VII (nationwide)				
India	BSVI				BSVI with PEMS				BSVII				

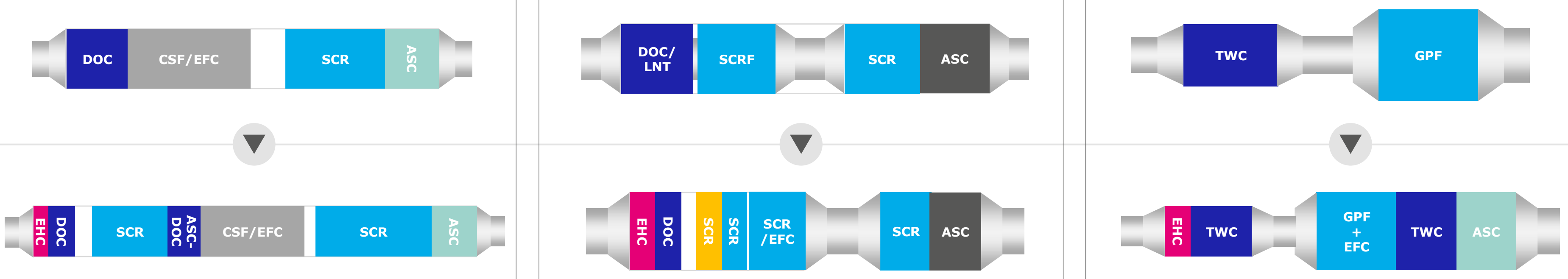
Example: Europe HD CLOVE Proposal

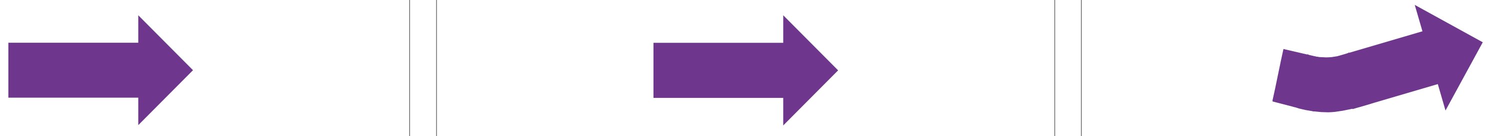


Note: estimated introduction dates for anticipated legislation.

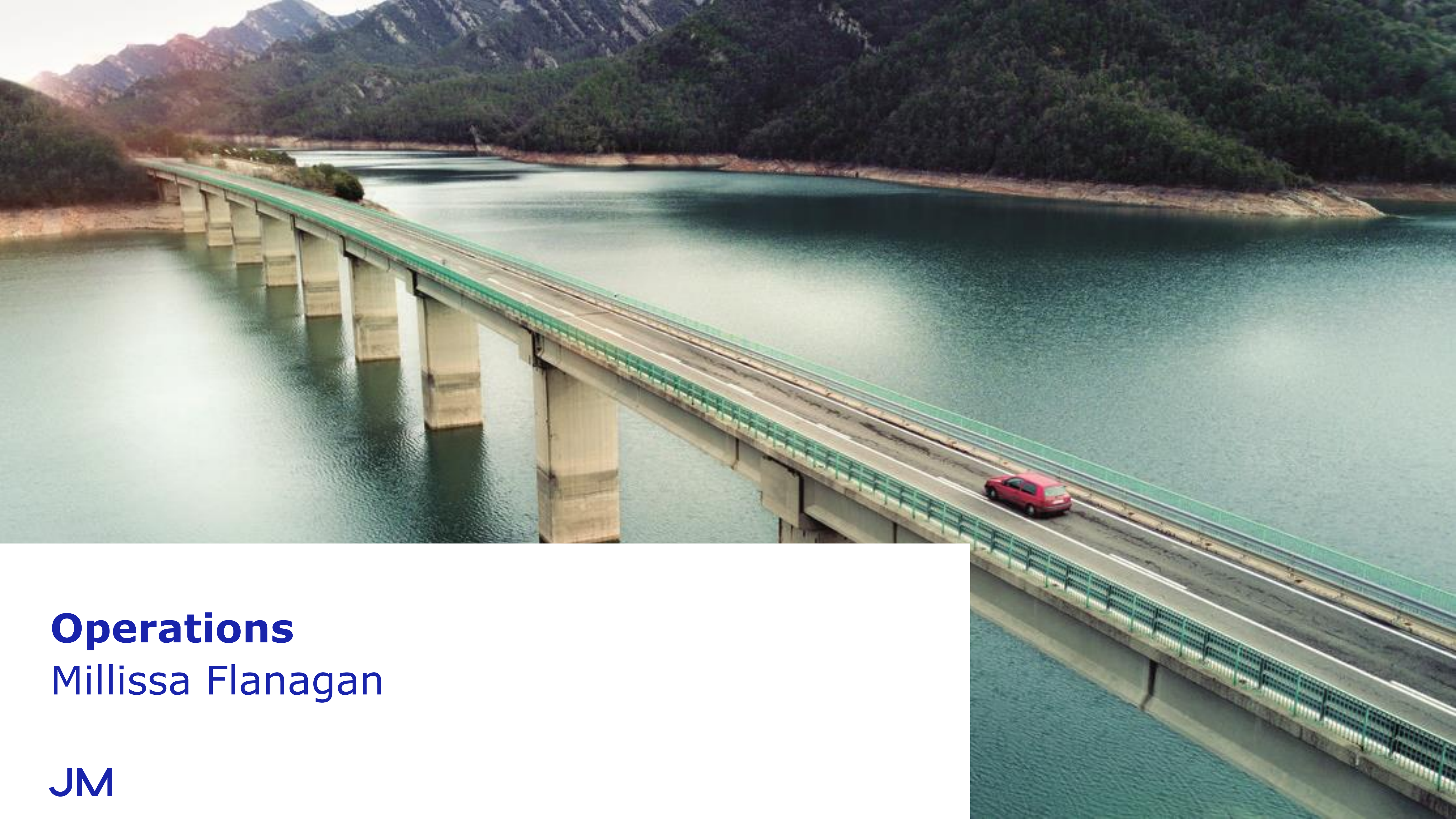
Legislation will drive more advanced technology and support pricing

	Heavy Duty Diesel	Light Duty Diesel	Light Duty Gasoline
Legislative and market drivers	Tighter PN, NOx and NH_3 Wider operating conditions Additional pollutants such as N_2O	Tighter PN, NOx and NH_3 Improved cold start emissions Optimised coatings for low/high speed	Tighter PN, NOx, NH_3 and N_2O PGM and system cost optimisation Enhanced filtration efficiency
System architecture – Typical current architecture / Possible future architecture	see diagram below	see diagram below	see diagram below
JM differentiation	Current market leader with unmatchable technology solutions and long term customer collaborations	Current market leader with best in class products	Best new products (coated EHC, EFC GPF, gasoline ASC), back integration into PGMS
JM market share trend	see arrows below	see arrows below	see arrows below





Note: NOx – nitrogen oxide, PN – particulate number, NH_3 – Ammonia, NO_2 – Nitrous oxide, DOC – diesel oxidation catalyst, SCR – selective catalytic reduction catalyst, ASC – ammonia slip catalyst, CSF – catalysed soot filter, EFC – enhanced filtration catalyst, EHC – electrically heated catalyst, LNT – lean NOx trap, SCRF – selective catalytic reduction filter, TWC – three way catalyst, GPF – gasoline particulate filter.



Operations

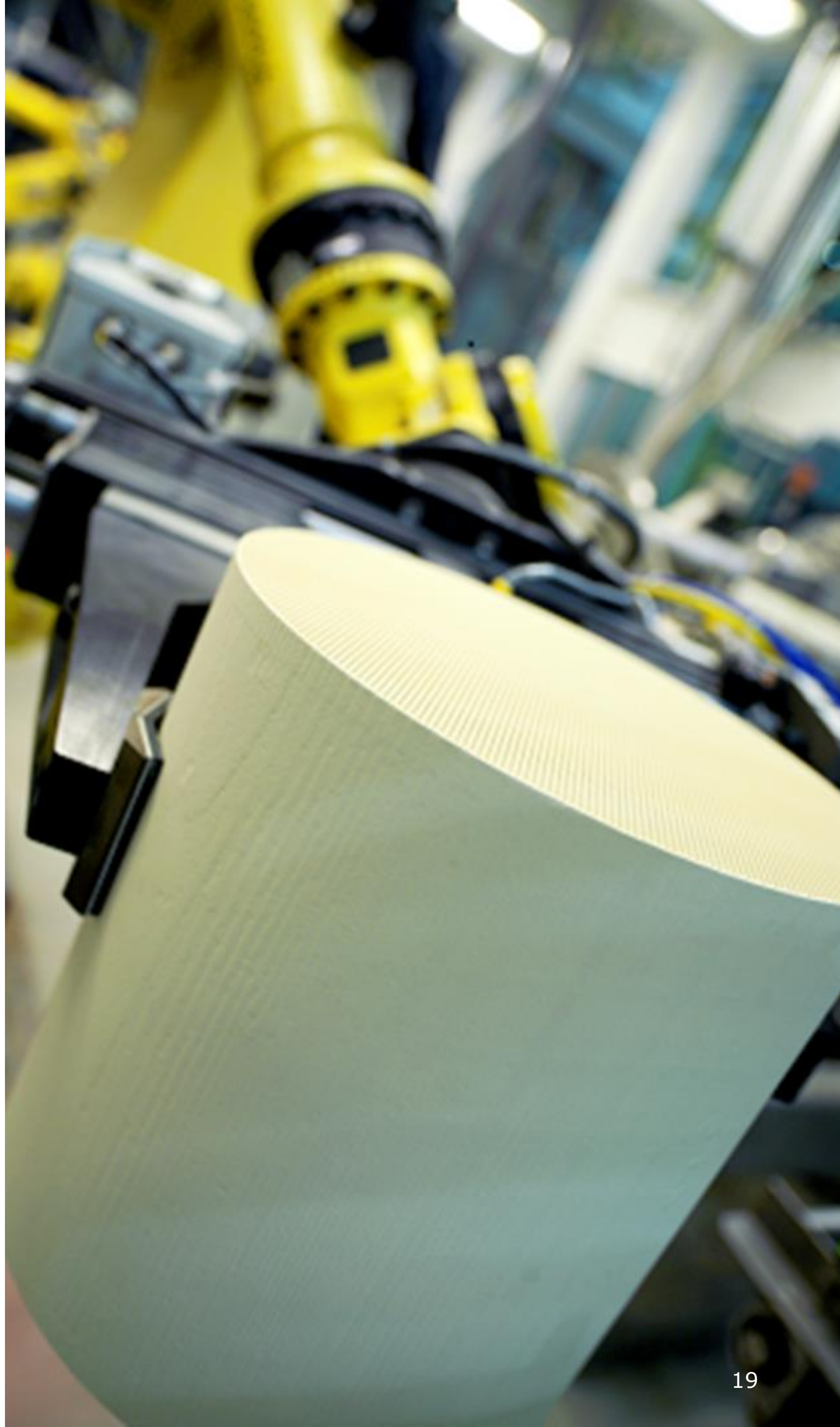
Millissa Flanagan

Operational programmes deliver cash

Operations drivers

- Delivering efficiency across the value chain
- Working capital reduced with agile supply chain
- Leveraging new, highly efficient plants
- Capex reducing to c.£50m by 2024/25

Maintaining our license to operate through safety, sustainability, quality and talent development



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Driving efficiency through four key focus areas

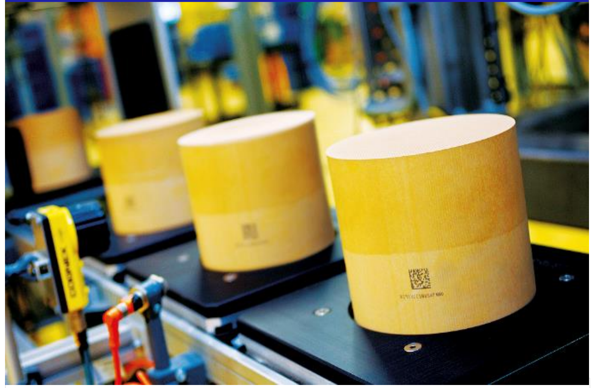
01
Productivity powerhouse

Dedicated programmes embedded, driving efficiency and reducing costs across the value chain

02
Agile supply chain

Global standardised and efficient supply chain, driving down working capital

03
Optimised operations footprint



Manufacturing the right parts at the right place and optimising across the global supply chain

04
Focused capital programme

Rigorous allocation of capital with robust planning and execution

Underpinned by a globally standardised operating model and experienced team

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Leveraging new and highly efficient plants

Manufacturing sites

1. Querétero, Mexico, USA
2. Smithfield, USA
3. Wayne, USA
4. Pilar, Argentina
5. Royston, UK
6. Redwitz, Germany
7. Gliwice, Poland
8. Skopje, Macedonia
9. Germiston, South Africa
10. Bawal, India
11. Manesar, India
12. Kransbyarsk, Russia
13. Zhangijagang, China
14. Shanghai, China
15. Kitsuregawa, Japan
16. Nilai, Malaysia

New plants are up to 4x faster than legacy sites

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Capex reducing to c.£50m by 2024/25

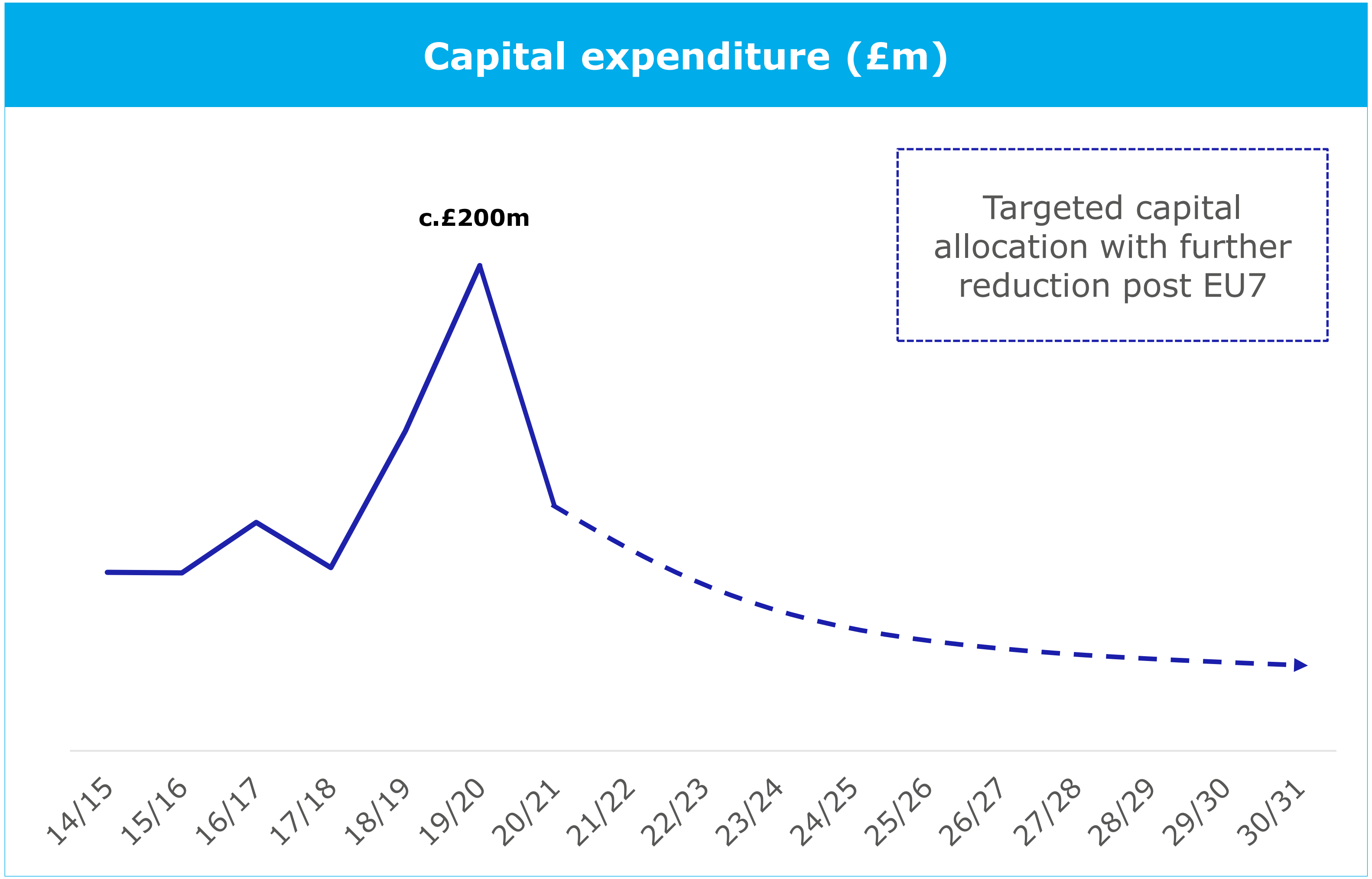
Focused on:

Leveraging the new assets

Focused capital allocation

Robust planning and execution

Rigorous maintenance programme



Leverage operations across JM

01 **Procurement**

Building a detailed picture of cost out opportunities and contract strategies

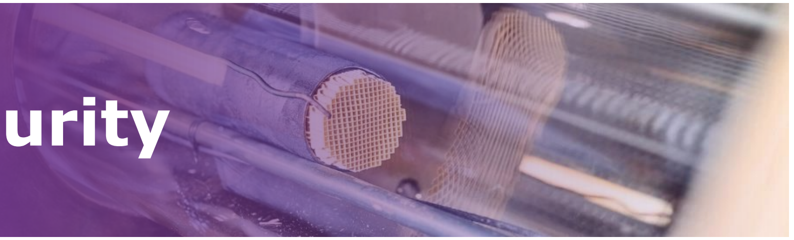
02 **New product introduction**

Improving connectivity across the value chain for parts right the first time

03 **Talent**

Building careers, leveraging expertise and experience

04 **Operational maturity**



Sharing best practices and quick wins on cost out programmes

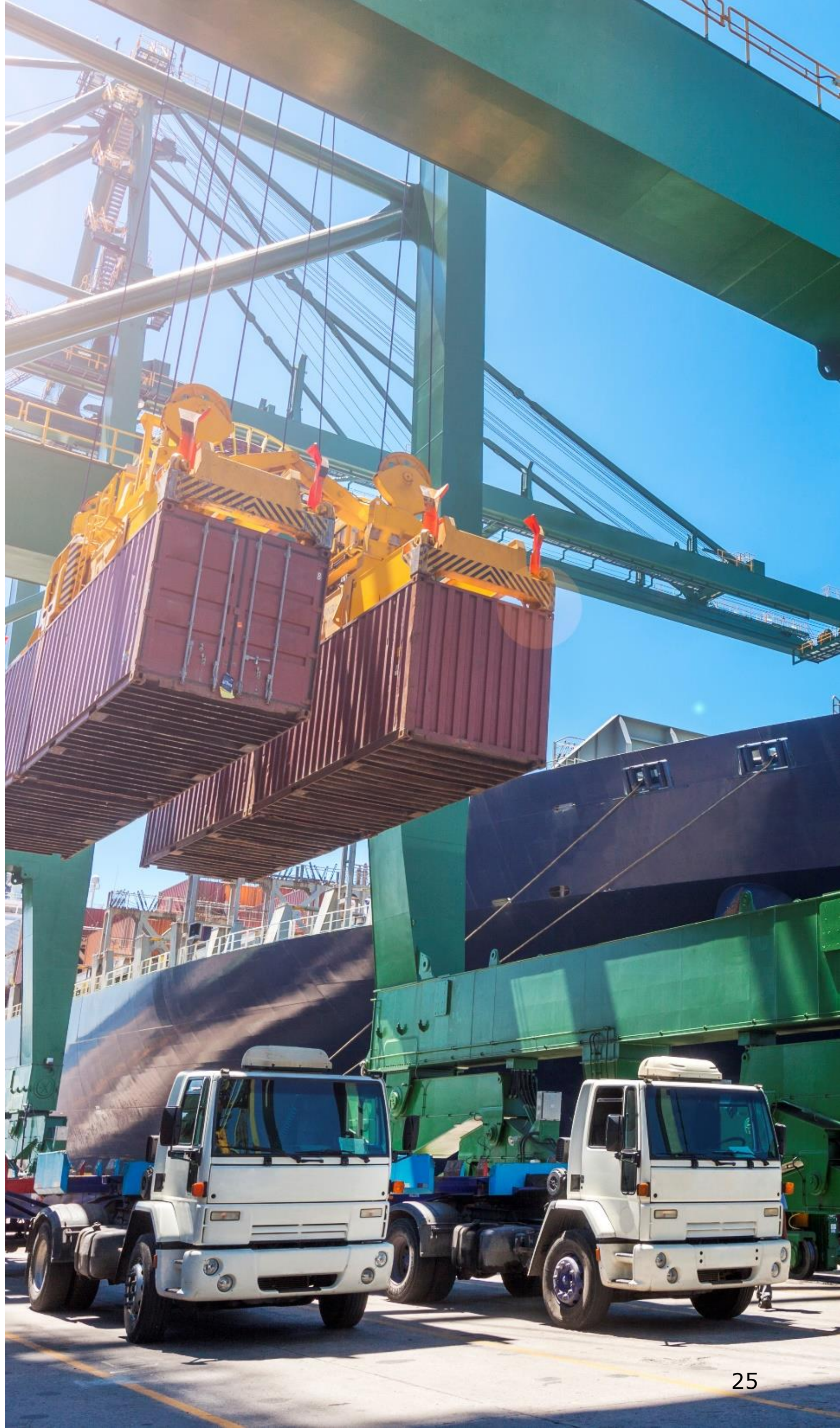
Cash generation

Alastair Judge

Long-term cash drivers

- Winning with strong technology
- Driving operational efficiency
- Treating all fixed costs as variable over time
- Minimising capital expenditure
- Unwinding working capital

On track to deliver at least £4bn of cash by 2030/31[1]



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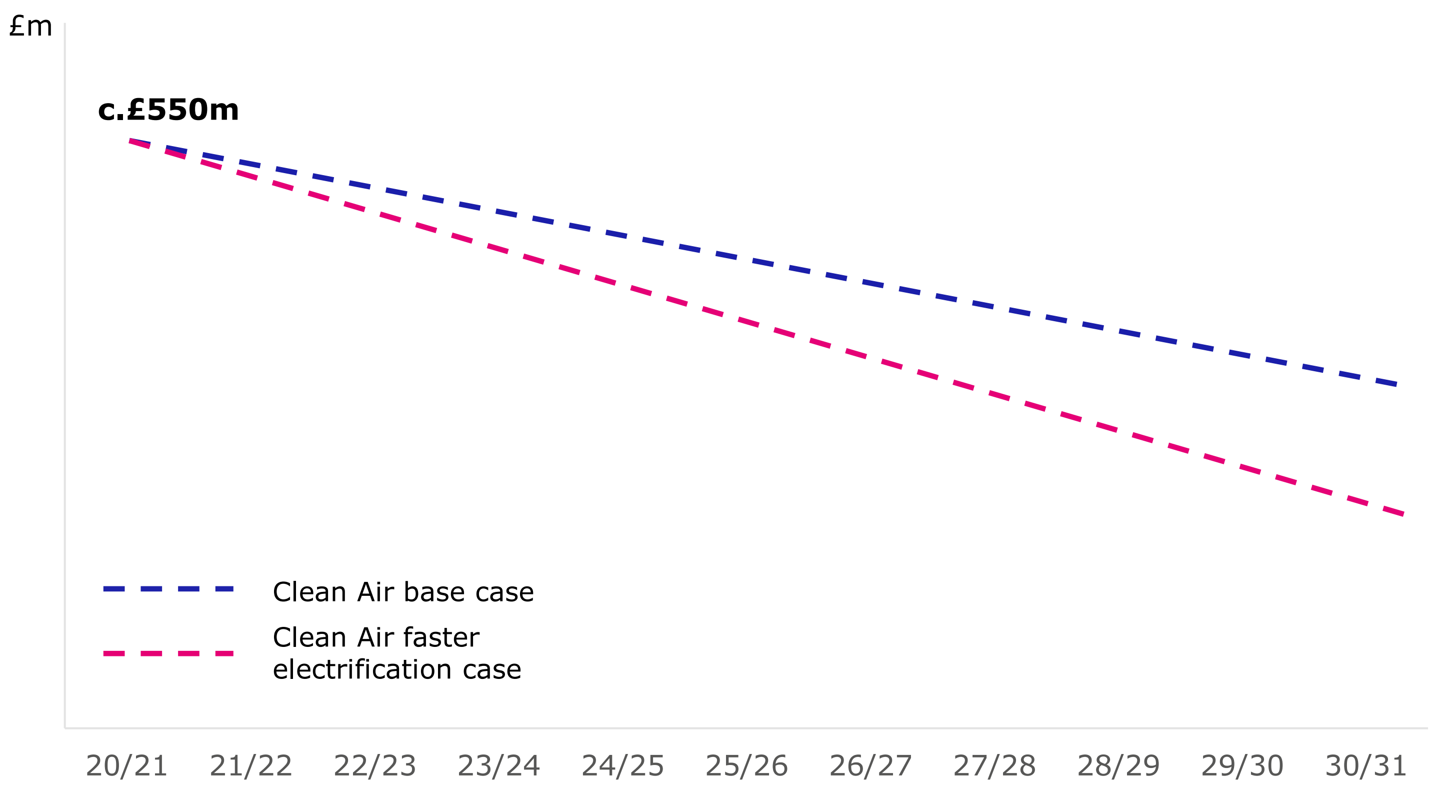
1. Driving at least £4bn of cash under our range of scenarios from 1st April 2021 to 31st March 2031. Cash target pre-tax and post-restructuring costs.

Fixed costs reduced by c.£100-£200m depending on the rate of electrification

Total fixed costs – £m



Plant efficiency and consolidation drives cost reduction

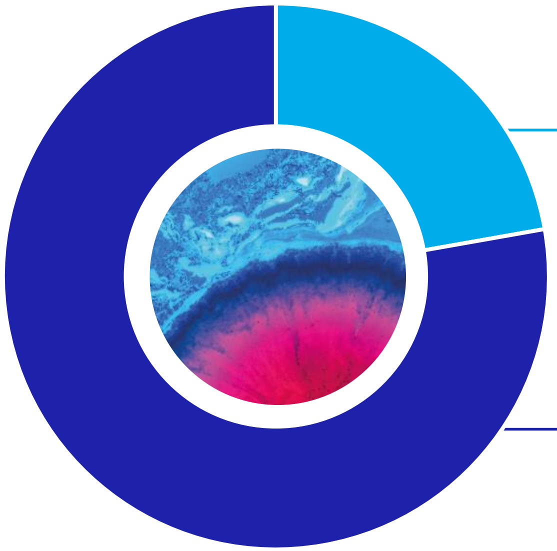
Other overheads will drop significantly from 2024/25 after major legislation is enacted

Clean Air headcount to be redeployed to other JM growth sectors

Note: graph is illustrative and not to scale.

Working capital will reduce by c.£1.2bn in our base case

Working capital breakdown – 1 April 2021



£0.4bn

Non-precious metal working capital

Varies with volume and business efficiency

£1.6bn

Precious metal working capital

Varies with pgm prices, volume and business efficiency

Working capital reduced by:

Optimising plant and distribution footprint

Agility in supply chain and production systems

Integrated planning with our partners

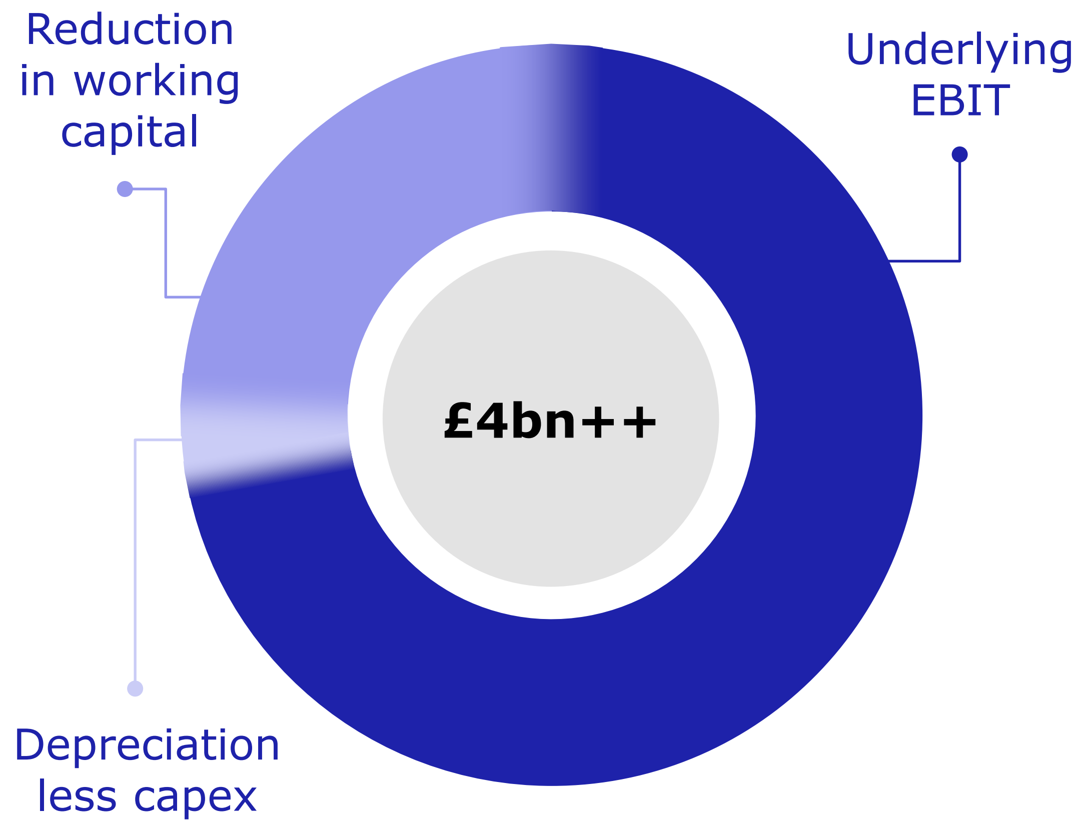
Smart terms for high pgm LDG programmes

Declining volumes and metal prices underpin the reduction of working capital

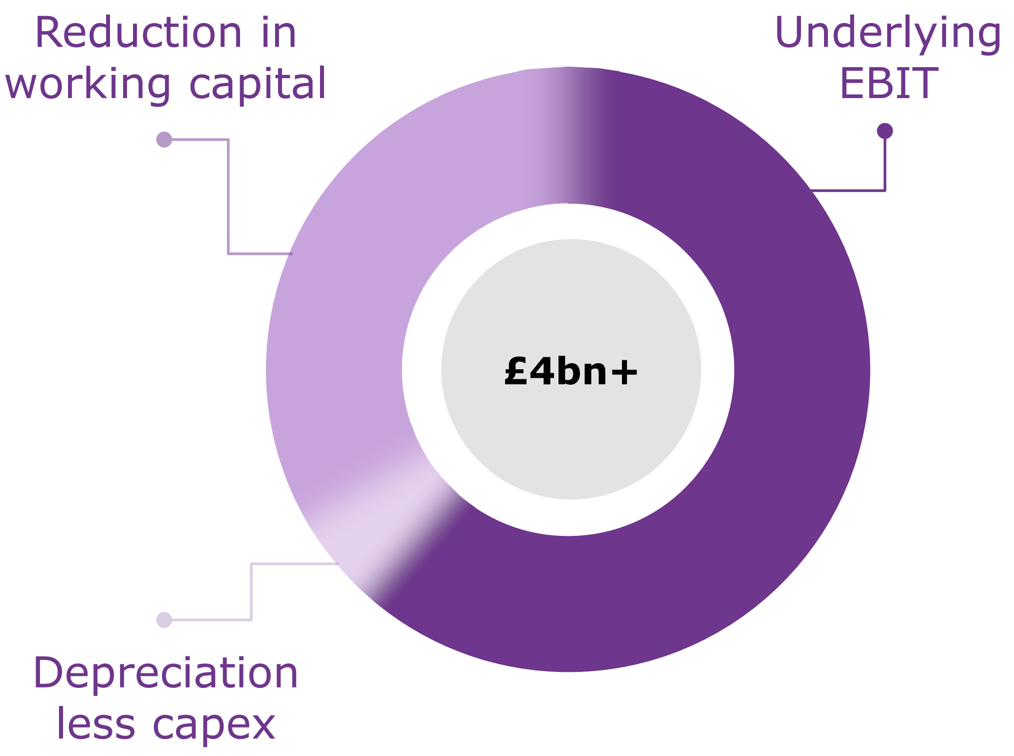
Note: pace of working capital unwind depends on pgm prices.

Delivering cash from operational efficiencies, lower working capital and reduced capex

Cash breakdown (£bn) – base case[1]



Cash breakdown (£bn) – faster electrification[1]



1. Breakdown of cash delivered from 1st April 2021 to 31st March 2031. Cash target pre-tax and post-restructuring costs.

Clean Air remains a cash generative business of scale in 2030/31 and beyond

Sales of c.£2bn, of which c.50% HDD

Lean footprint and organisation, retaining technology leadership

Robust low double digit margins

Working capital of c.£0.8bn

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Note: reflects our base case scenario. Sales excluding precious metals. HDD – heavy duty diesel.

Conclusion

Strong technology and trusted partner

Strong team and depth of experience

Delivering on robust commercial and operational plans

Leveraging JM's strength in pgms and contributing to new business growth

On track to deliver at least £4bn of cash by 2030/31[1]

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1. Driving at least £4bn of cash under our range of scenarios from 1st April 2021 to 31st March 2031. Cash target pre-tax and post-restructuring costs.

Q&A