



Johnson Matthey
Inspiring science, enhancing life

Presentation of preliminary results for the year ended 31st March 2017

1st June 2017

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.

Progress on further strengthening our business

Full year
performance in line
with expectations
following improved
second half
performance

Strong balance
sheet and cash
generation

Delivered cost
savings with further
actions in 2017/18

Investing to deliver
future growth

Building a strong platform for future growth

Strong H2 led to full year performance in line with expectations

	Year ended 31 st March 2017	YoY growth	YoY growth, continuing businesses at constant rates
LTIIR ¹	0.49	+32%	
Sales	£3,578m	+13%	+3%
Underlying operating profit	£513.3m	+14%	-
Underlying EPS	209.1p	+17%	
Working capital days	54 days	-2 days	
Capex	£265m	+3%	
R&D	£201m	+7%	
Dividend per share	75.0p	+5%	



Driving improving performance

Carrying
forward
momentum

Cost efficiency

Improved
functional
excellence





Anna Manz
Chief Financial Officer

JM

Full year underlying results in line with expectations following stronger H2

Year ended 31st March ¹	2017 £m	2016 £m	% change	% change, constant rates for continuing businesses
Sales excluding precious metals	3,578	3,177	+13	+3
Operating profit	513	451	+14	-
Finance charges	(32)	(33)	+2	
Profit before tax	482	418	+15	+1
Taxation	(82)	(67)	-22	
Profit after tax	400	351	+14	
Earnings per share	209.1p	178.7p	+17	
Ordinary dividend per share	75.0p	71.5p	+5	

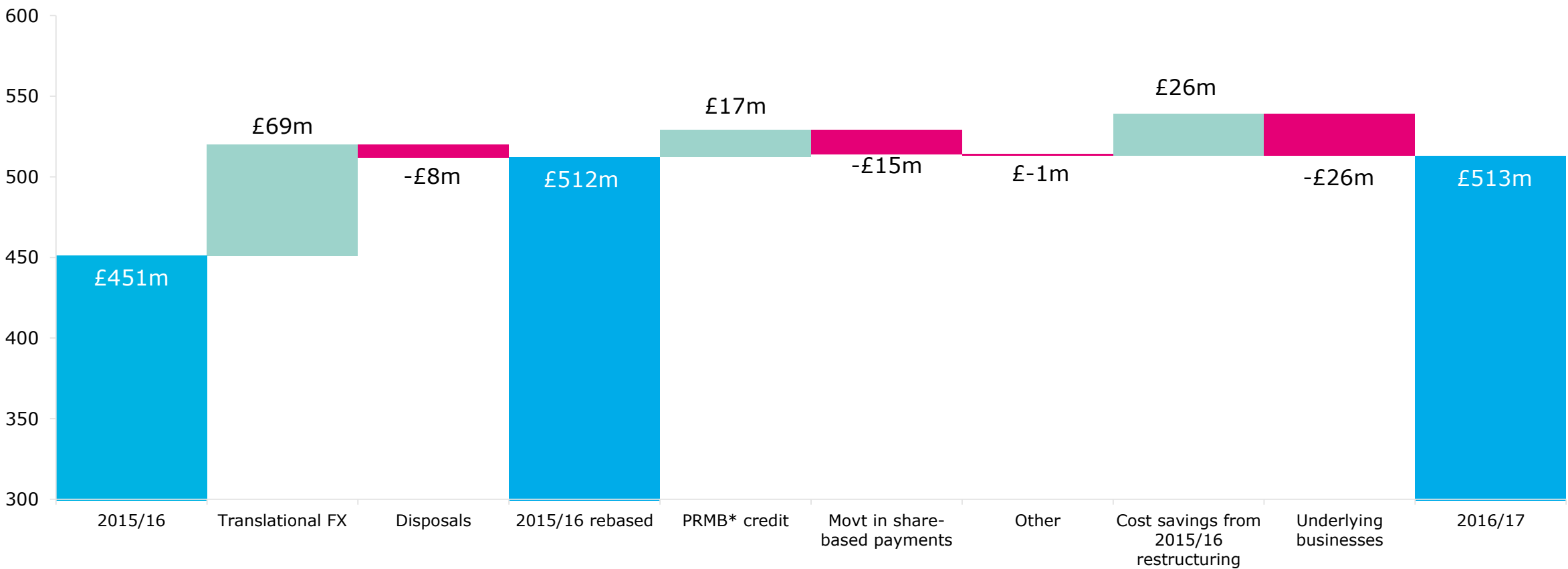
Improving performance with stronger H2 sales growth

Sales growth for year ended 31st March 2017, %¹

	H1	H2	FY
Emission Control Technologies	+3	+5	+4
Process Technologies	-12	+13	-
Precious Metal Products	-2	+14	+6
Fine Chemicals	+4	-2	+1
New Businesses	+13	+8	+10
Johnson Matthey	-1	+6	+3

Delivering cost savings and efficiency gains to underpin operating profit

Underlying operating profit



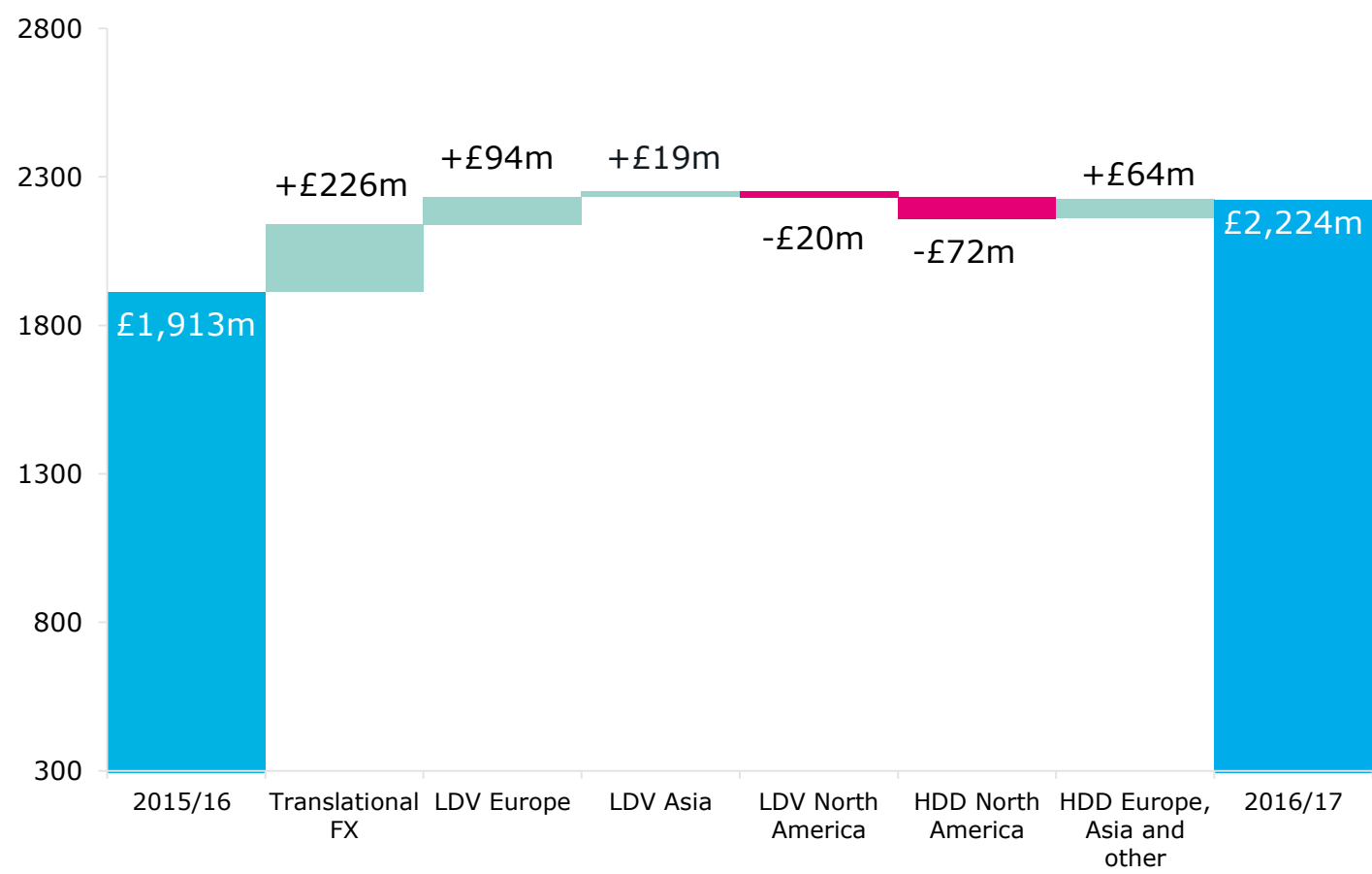
Improving performance with stronger H2 operating profit growth

Operating profit growth for year ended 31st March 2017, %¹

	H1	H2	FY
Emission Control Technologies	-	+3	+2
Process Technologies	-1	+18	+9
Precious Metal Products	+4	+31	+17
Fine Chemicals	-26	-20	-23
New Businesses	+11	+12	+12
Johnson Matthey	-3	+4	-

ECT: technology driven outperformance in the majority of markets

Sales¹



Sales up 4%

- LDV catalyst sales ahead of global production
- HDD sales outperformed in every region
- Benefited from sales of higher value catalysts and business wins

Operating profit up 2%

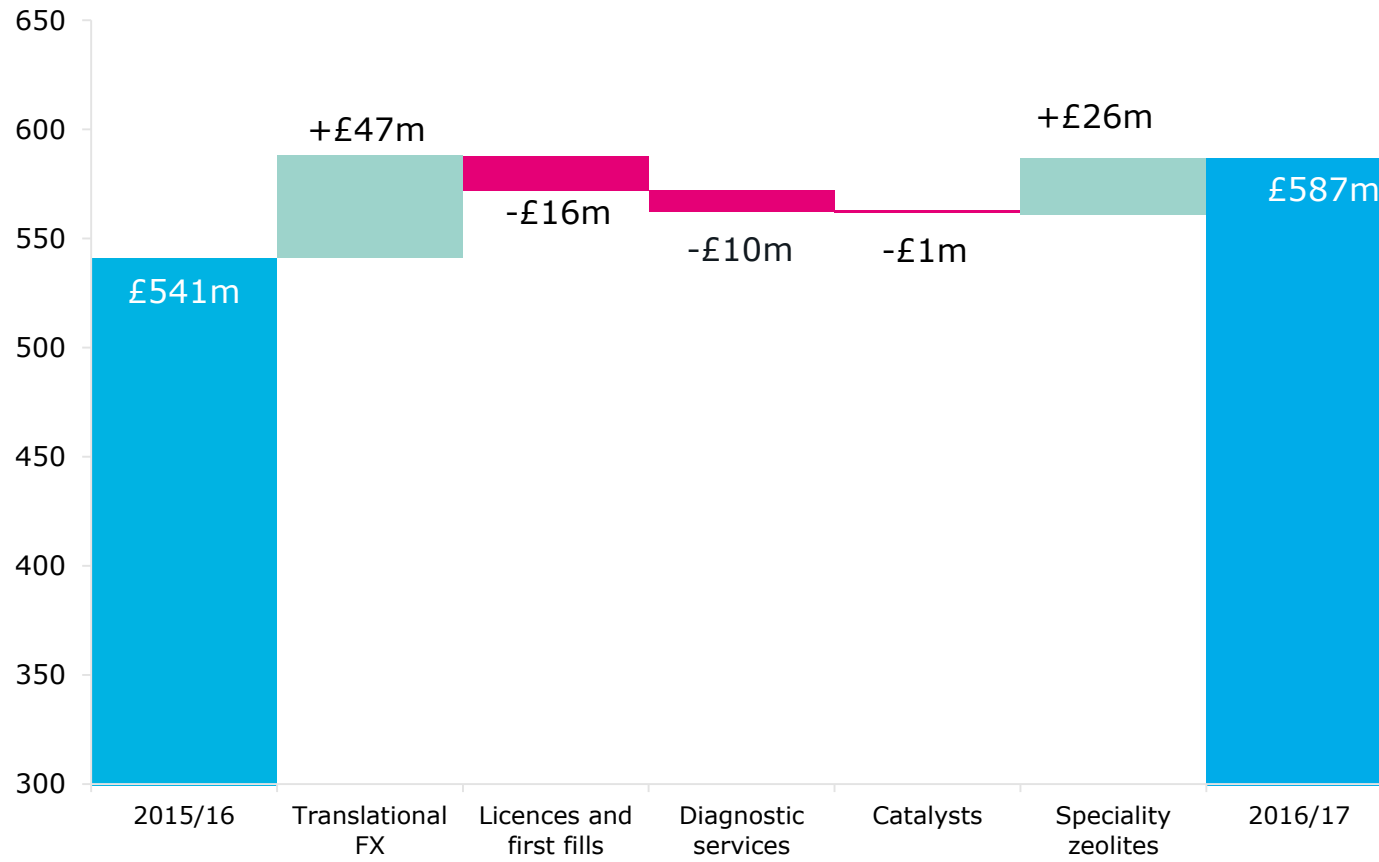
- Despite higher initial costs for new products

2017/18 outlook

- Sales growth driven by tightening legislation and business wins
- Margin will be broadly maintained

PT: managing a cyclical market through cost savings

Sales¹



Held sales in the year

- Licensing and first fill income affected by cyclical demand
- Business wins in catalysts offset market weakness

Operating profit up 9%

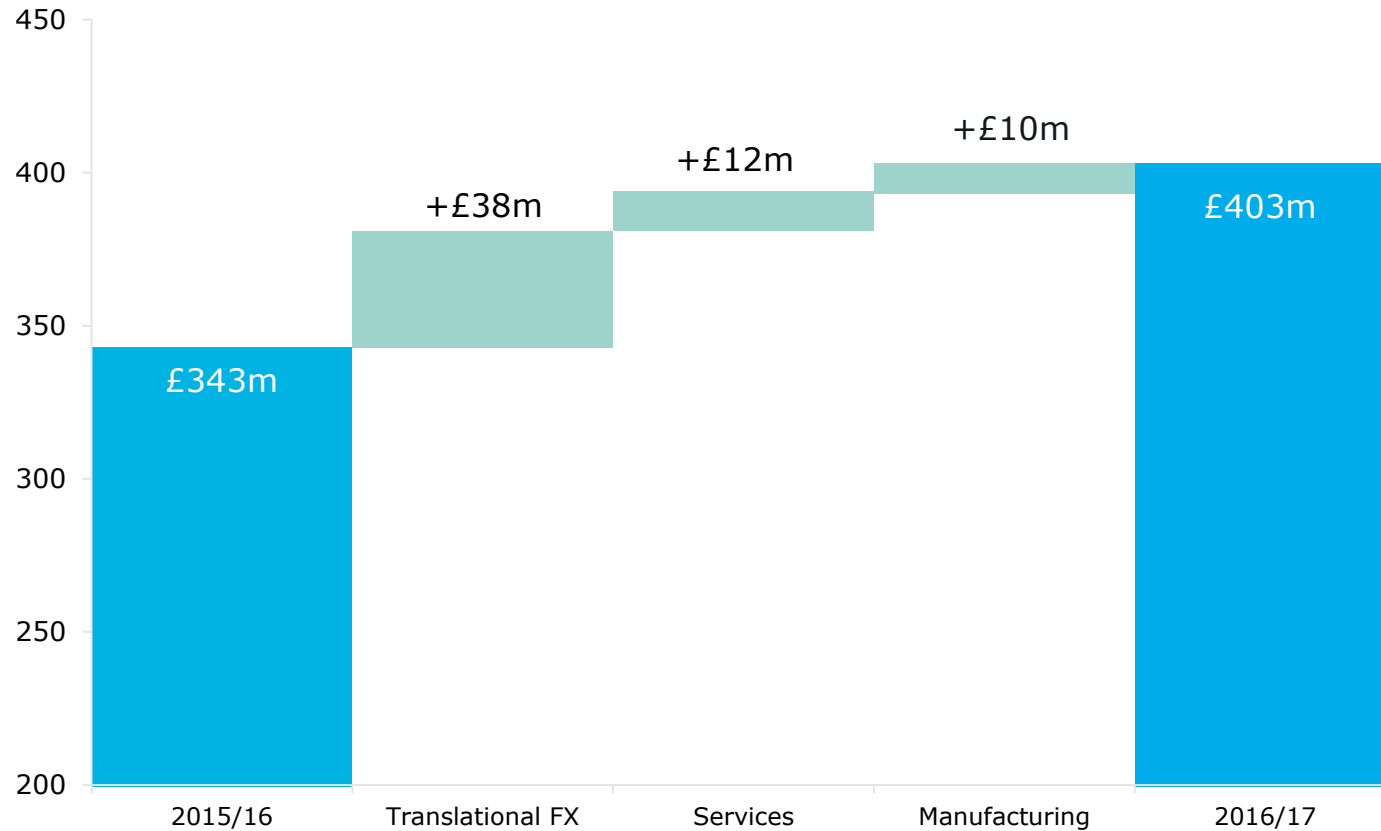
- Delivering efficiency gains

2017/18 outlook

- Cyclical recovery not expected next year
- Partially offset by efficiency gains

PMP: actions taken accelerated H2 performance

Sales¹



Sales up 6%

- Higher pgm prices and improved intakes
- Steady growth in Manufacturing

Operating profit up 17%

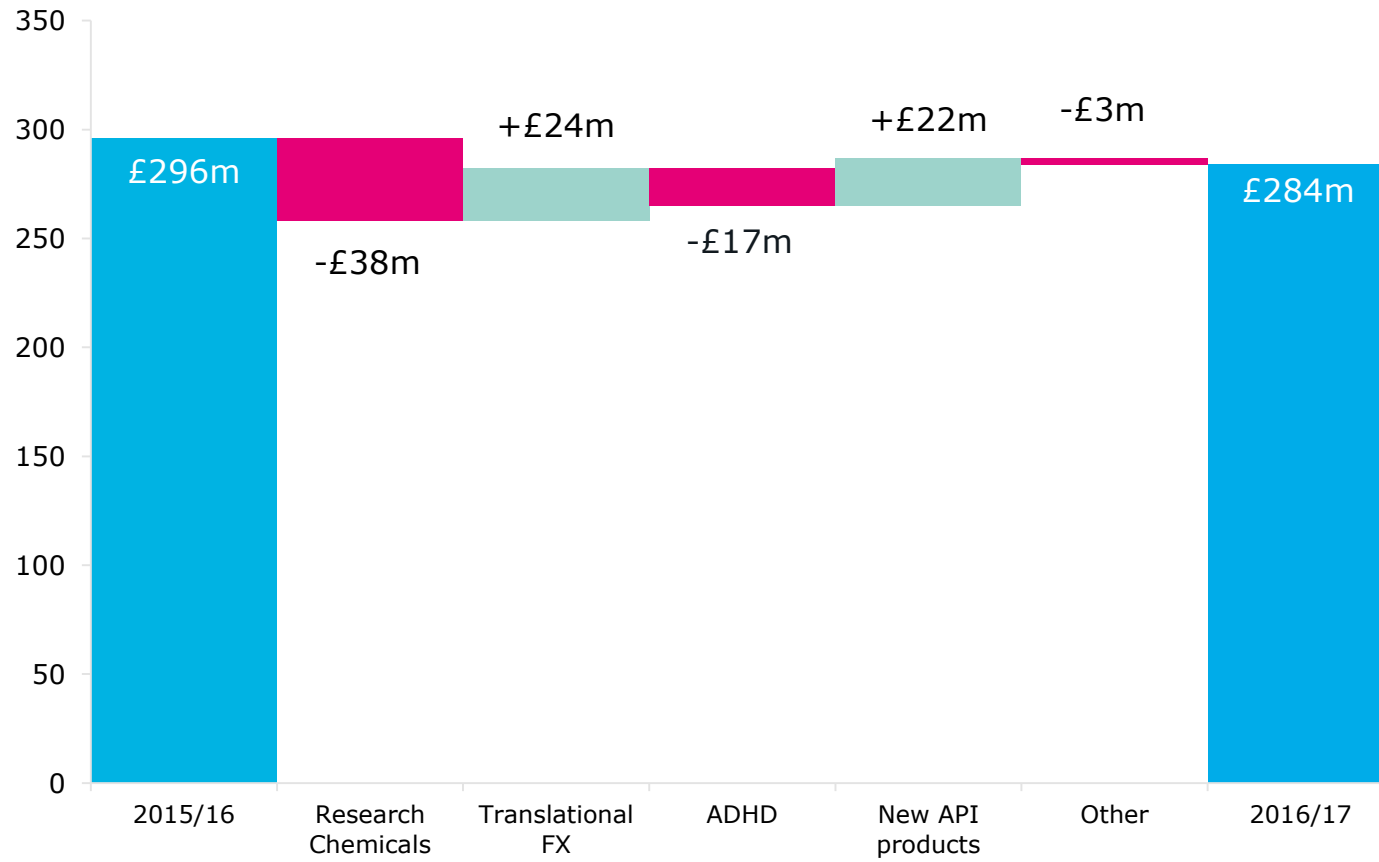
- Improved intakes, pgm prices and operating efficiency
- H1 benefited from PRMB² credit

2017/18 outlook

- Improved trends to continue
- Lapping PRMB² credit will impact operating profit growth

Fine Chemicals: building a wider portfolio to deliver consistent growth

Sales¹



Sales up 1%

- Strong contribution from APIs for two newly approved drugs
- Lower sales of ADHD APIs

Operating profit down 23%

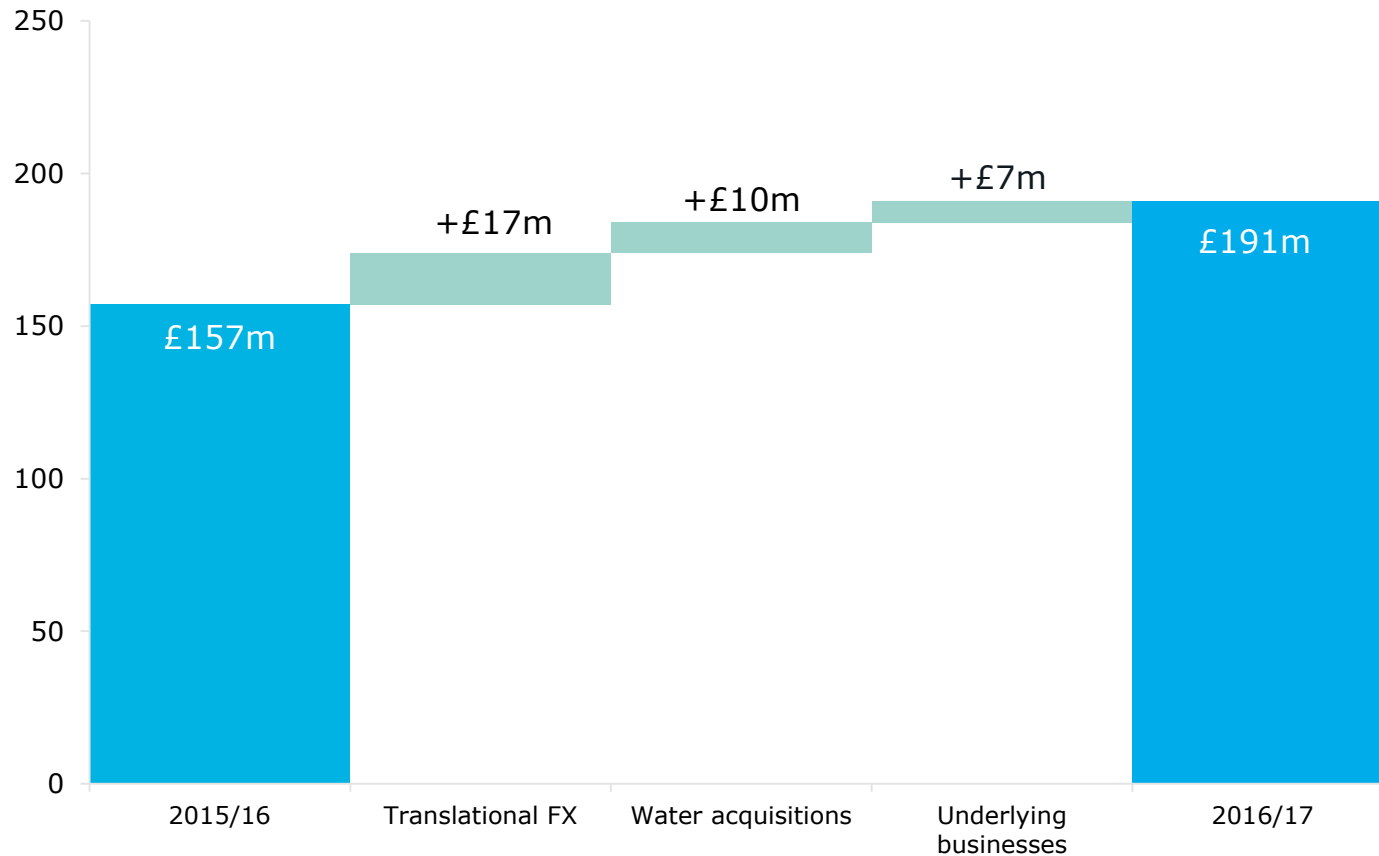
- Impacted by lower sales of higher margin ADHD APIs

2017/18 outlook

- Improved performance
- Continue to invest to in building API product portfolio

New Businesses: accessing additional areas of potential growth

Sales¹



Sales up 10%

- Weak LFP battery material market in H2
- Sales growth and improving productivity in Fuel Cells

Operating loss reduced

- Improved profitability in Battery Technologies
- Fuel Cells benefited from 2015/16 restructuring

2017/18 outlook

- Uncertainty around LFP likely to remain
- Progress in underlying profitability
- Continued progress in the development of nickel based battery materials

17% EPS growth driven mainly by foreign exchange

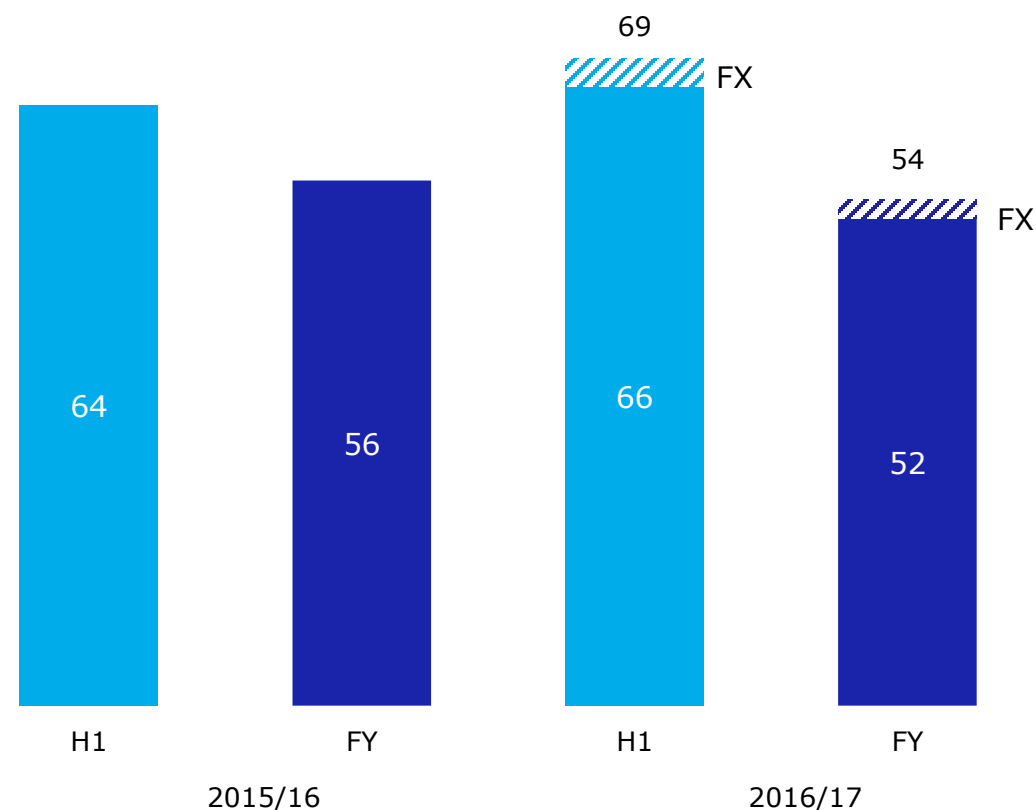
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Focus on consistent delivery of strong cash

Free cash flow

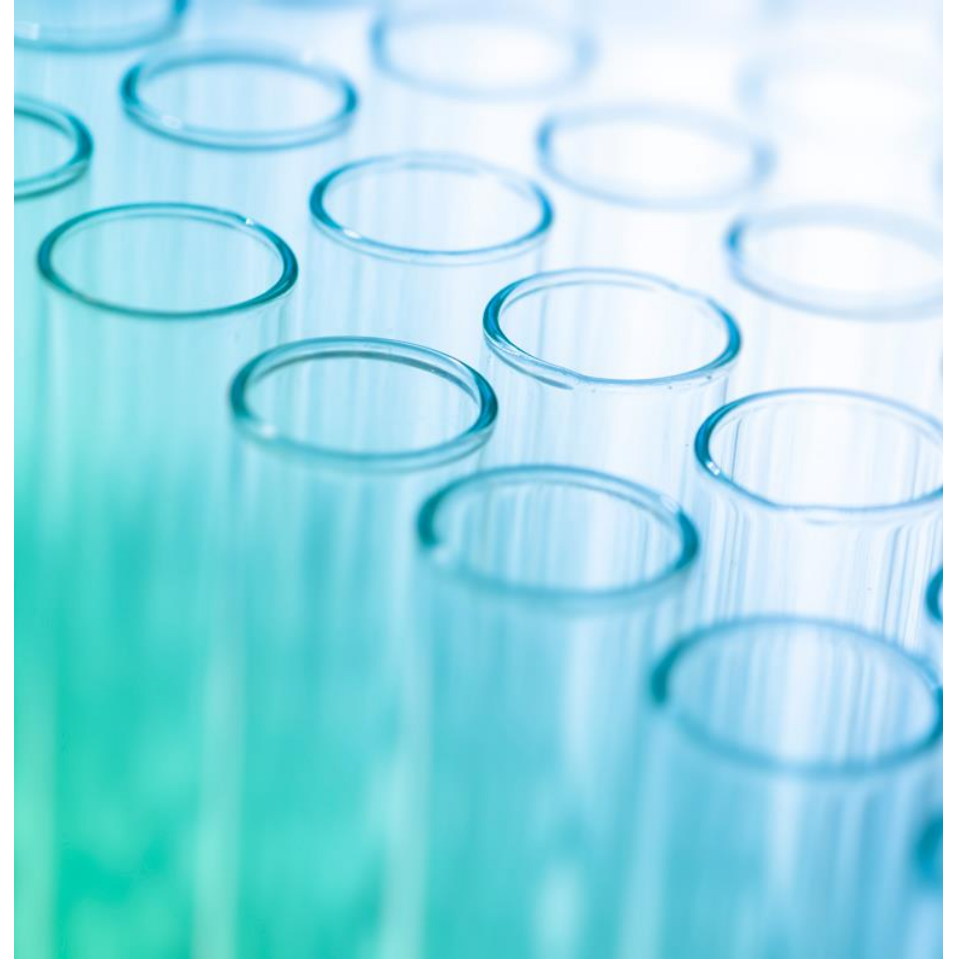
Year ended 31st March 2017	£m
Underlying operating profit	513
Depreciation and amortisation ¹	157
Increase in inventories	(37)
Increase in receivables	(111)
Increase in payables	121
Net working capital outflow	(27)
Net interest paid	(37)
Tax paid	(59)
Capex spend	(256)
Other	(61)
Free cash flow	230

Working capital days²



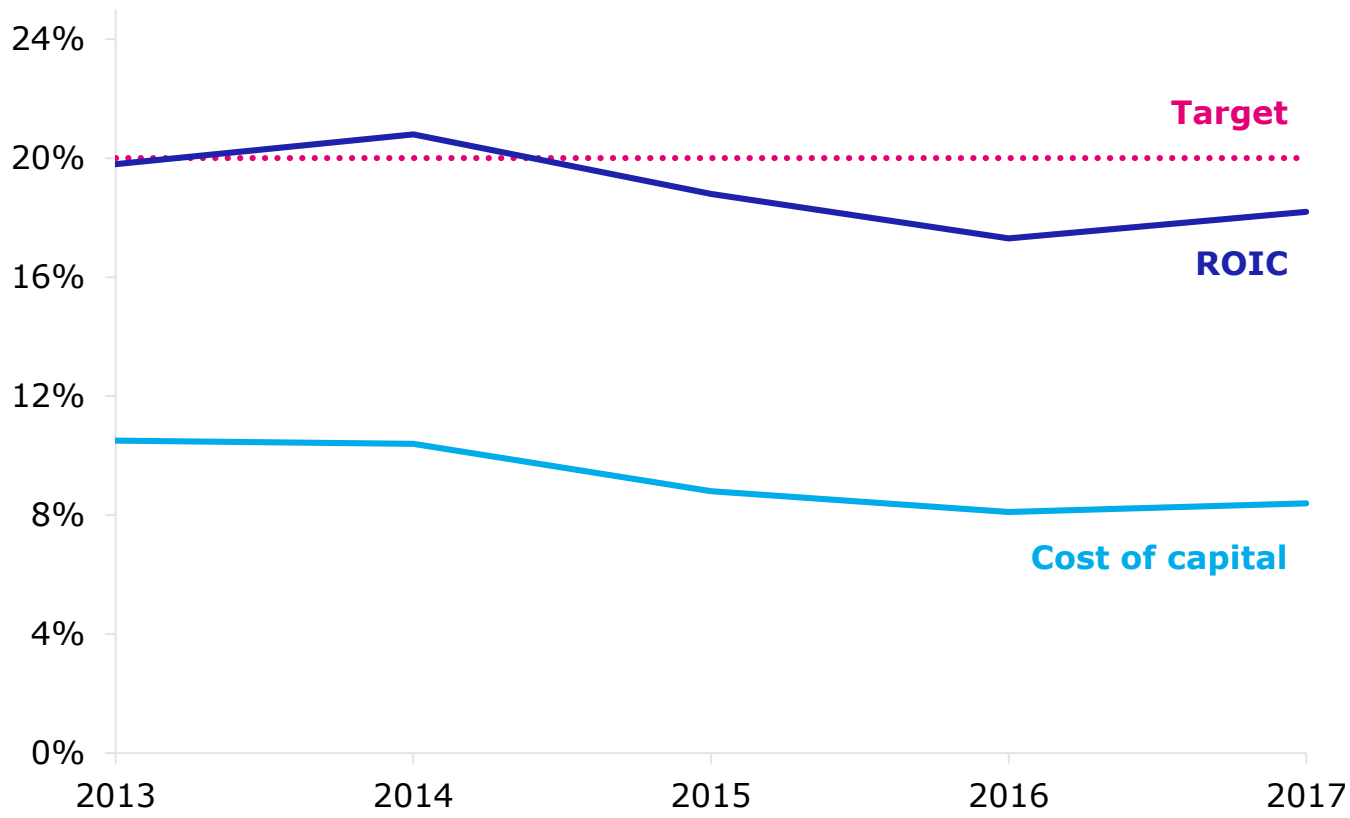
Strong balance sheet

	£m	£m
Net debt at the beginning of the year		(675)
Free cash flow	230	
Dividends	(139)	
Acquisitions	(25)	
Other	(13)	
Movement in net debt before FX		53
Net debt before FX		(622)
FX		(94)
Net debt at the end of the year		(716)



ROIC improved in the year

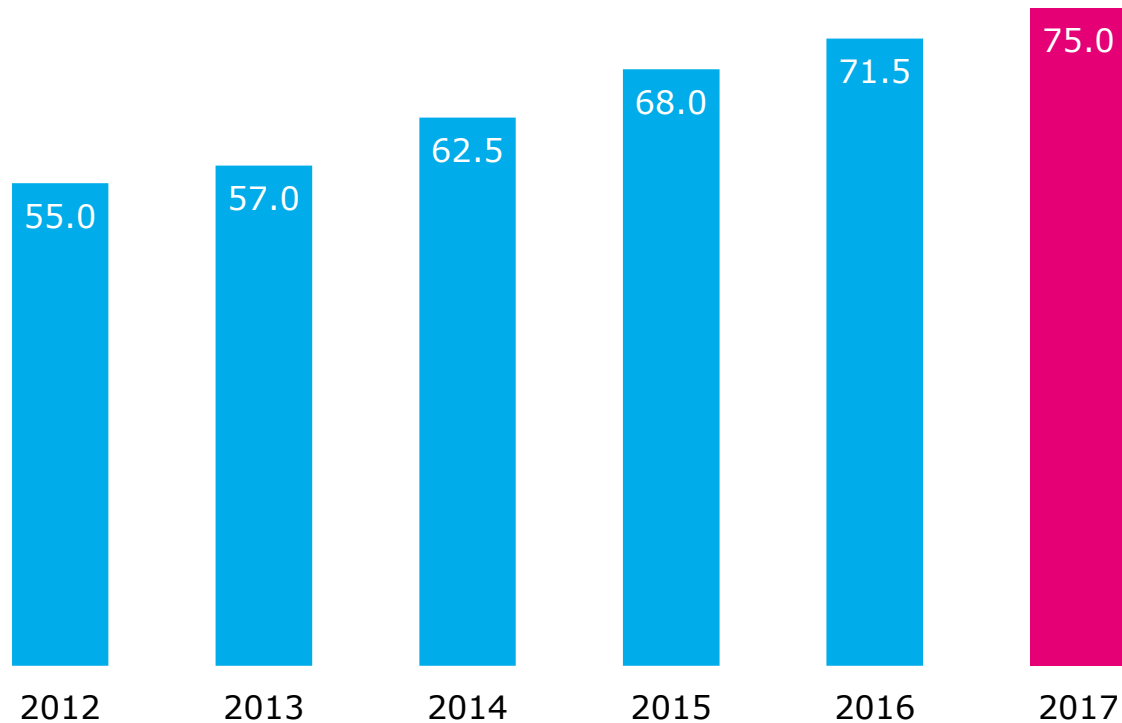
Year ended 31 March



Dividend per share up 5%

Ordinary dividend per share (pence)

Year ended 31st March



Increase reflects confidence in group's medium term prospects

- Driving stronger top line
- Delivering efficiency across the business
- Investing for growth
- Continuing to deliver strong cash

Looking forward

Improving performance

Stronger sales growth in 2017/18 in line with H2 2016/17

Stronger performance in 2017/18

Targeting further cost savings of around £25m in a full year and £10m in 2017/18

Offset by higher non-cash pension charges and no PRMB in 2017/18

My three focus areas

Rigorous and transparent resource allocation

Disciplined management of working capital to drive continued strong cash

Drive increasing business wide efficiency



Robert MacLeod
Chief Executive

JM

Changing our organisation to drive performance

Building strong leadership team using external hires and benchmarks

Disciplined process management supported by increased investment

Retain strong local accountability

Standardisation of data and performance metrics to drive synergy

Drive functional excellence

Better aligned for stronger performance

**Climate, focus
on emissions**

**Growing population,
fewer resources**

**Ageing and
growing population**

Clean Air

**Efficient
Natural
Resources**

Health

plus New Markets across all these areas

Sustainable leading science and technology platforms

Materials characterisation
and testing



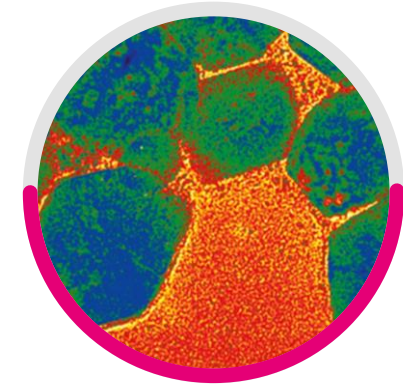
PGM chemistry
and metallurgy



Material design
and engineering



Surface
chemistry



Provision of
customised solutions



Development of new and
next-generation products



Scale-up of complex
manufacturing



...applied to solve
customers'
problems

Clean Air: building a flexible global emissions control business



The focus on air quality in Europe will drive growth in medium term, notwithstanding a decline in diesel share



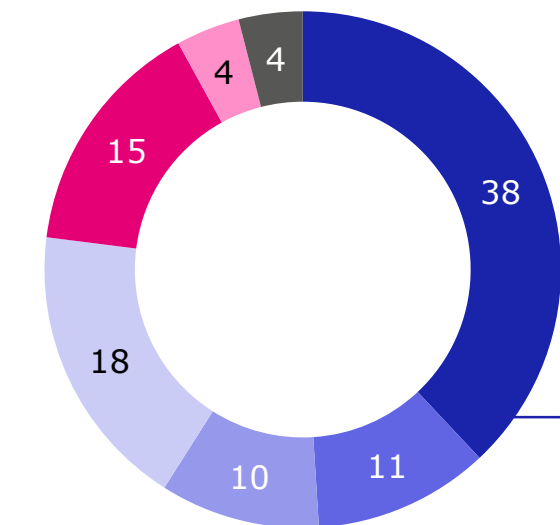
Significant growth opportunities in Asia



Building a flexible and efficient business

Clean Air in Europe & NA: medium term growth, long term value

Sales % 2016/17



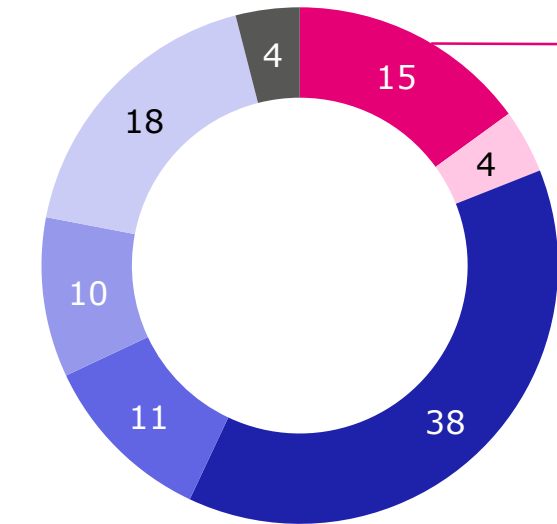
■ Europe LDV
■ Europe HDD
■ North America LDV
■ North America HDD
■ Asia LDV
■ Asia HDD
■ Other

Supported by:

- **In the short to medium term:**
 - New business wins already secured
 - Tighter legislation (Euro 6c and real world driving standards)
 - Increased focus on tighter emissions from OEMs
 - Recovery of Class 8 US truck market
- **In the long term:**
 - The importance of air quality as a focus area
 - Managing our flexible cost base and manufacturing footprint

Clean Air: significant growth opportunities in Asia

Sales % 2016/17



■ Asia LDV
■ Asia HDD
■ Europe LDV
■ Europe HDD
■ North America LDV
■ North America HDD
■ Other

- Well-positioned in China and India
- Winning business with local manufacturers
- Significant vehicle growth expected
- Move to Euro 6 equivalents in China and India for both light and heavy duty
 - Significant value uplift per vehicle
 - Expected to more than double size of our China and India businesses

Efficient Natural Resources: investing for growth through the cycle



Positioned for recovery in chemicals



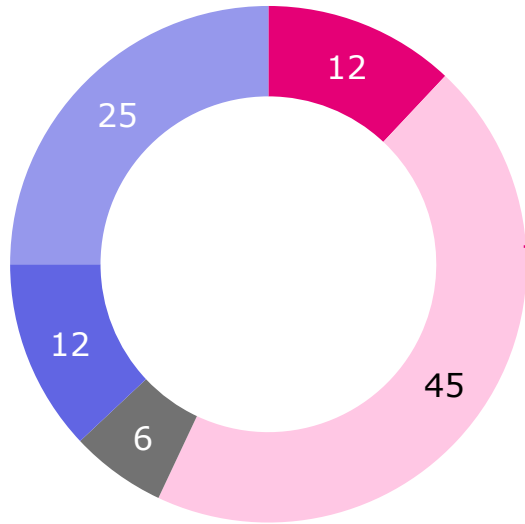
Improved management of our PGM refineries



Cost efficiency improved

Efficient Natural Resources: positioned for chemicals market recovery

Sales % 2016/17



- Licences and first fills
- Refill catalysts and additives
- Diagnostic services
- PGM services
- PGM manufacturing

- Demand for licences and first fills linked to
 - Level of plant builds
 - Capacity in many markets
- High levels of demand not expected to return for a few years
- Well-positioned for future recovery
- Refill catalyst cycle lengthened but market remains stable
- Focused on efficient running of our operations

Health: investing in an attractive market with long term growth



Strong set of core capabilities



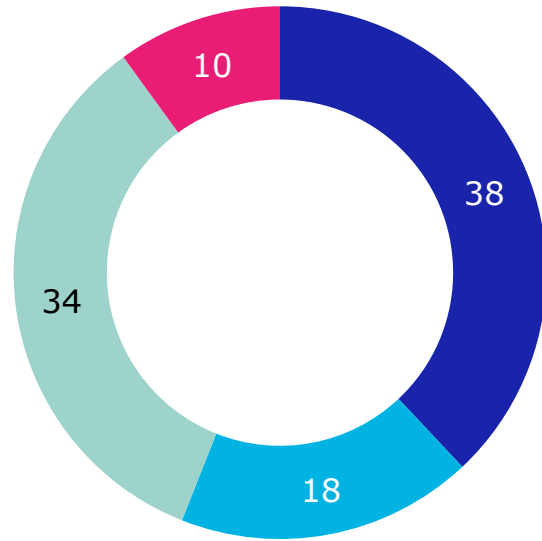
Investing to expand our business and API product portfolio



Improving operational efficiency

Health: investing to expand our business and API product portfolio

Sales % 2016/17



- Opiate-based APIs
- ADHD APIs
- Other APIs
- Contract development and manufacturing

- \$650bn global pharmaceutical market growing mid to high single digits
- Expanding our capacity in Europe
- **Building our future API product portfolio:**
 - Over 40 new projects in our pipeline
 - Sales will build over the next three years as plan to launch over 10 new projects and submit over 20 filings
 - Larger portfolio will smooth variability in our sales and profit trends

New Markets: accessing additional areas of potential growth in...



Clean Air: Alternative powertrains

- Developing high energy battery materials, incl. high nickel
- Improved performance in Fuel Cells business



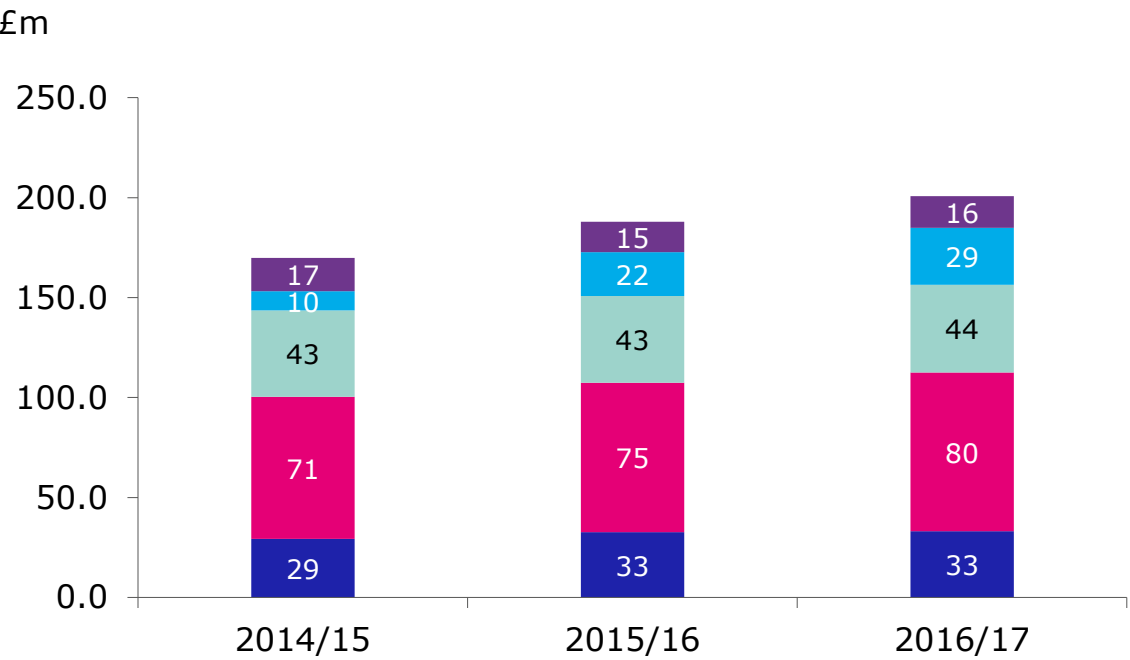
Agrochemicals and Medical Device Components



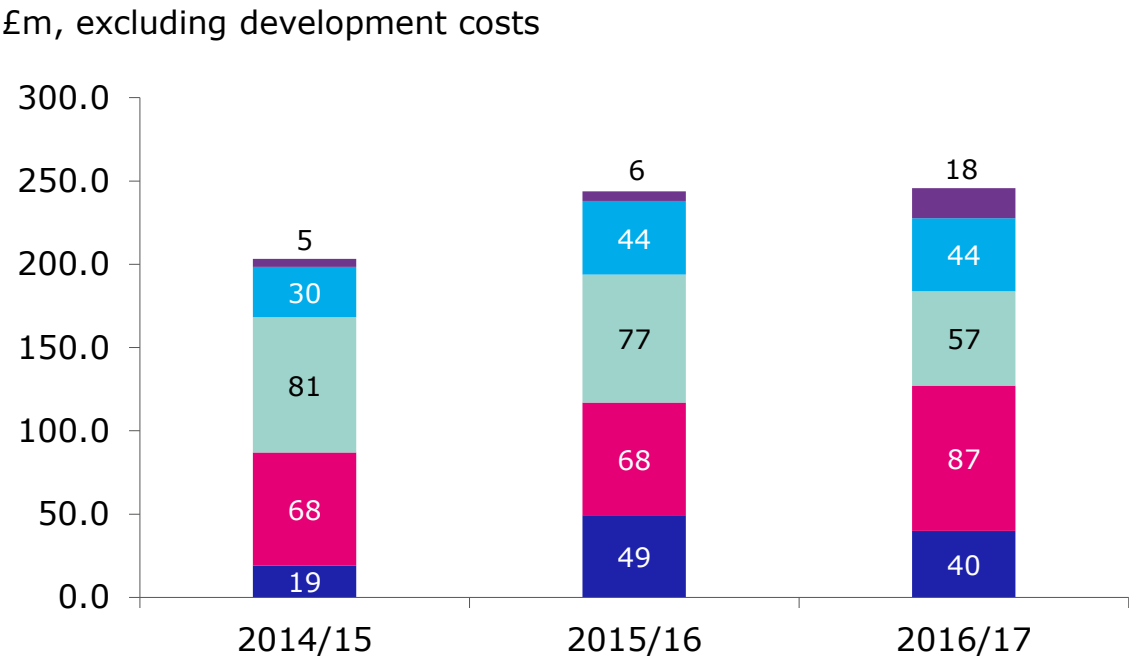
Maintaining strict capital discipline

Rigorous approach to capital allocation

Focused R&D¹



High levels of capex



■ Central ■ Clean Air ■ Efficient Natural Resources ■ Health ■ New Markets

2016/17:

R&D 5.6% of sales

Capex 1.7x depreciation

1. R&D includes capitalised development costs (£18.9 million in 2016/17)

Conclusion

**Strategy aligned
to global growth drivers**

Stronger sales growth in 2017/18

**Cost efficiency and
improved functional excellence**

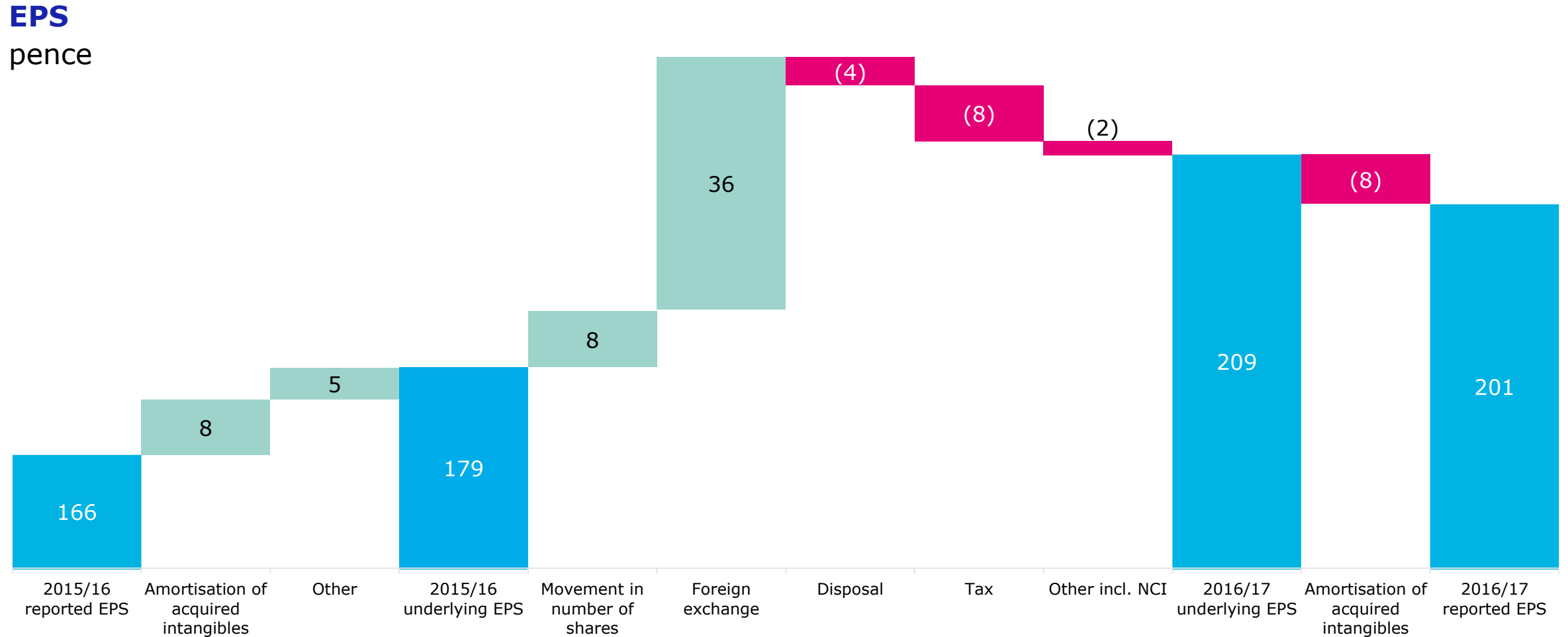
**Margin expansion beyond
next year**



Appendix

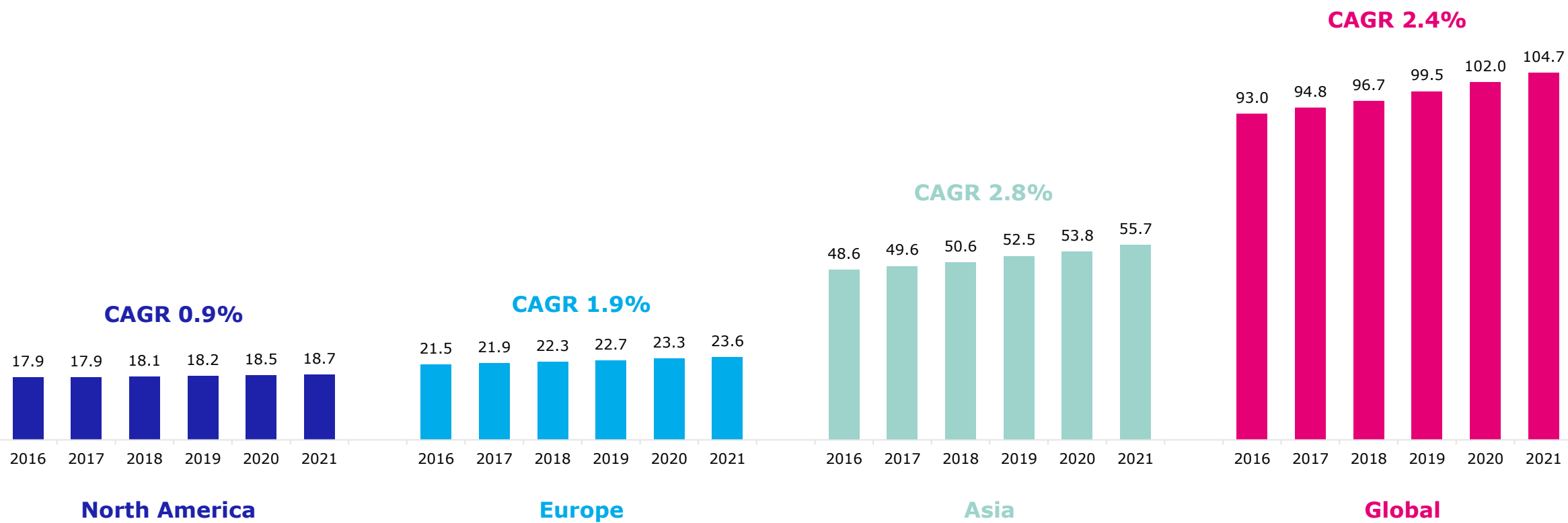
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17% EPS growth driven mainly by foreign exchange



Global growth in vehicle production

Light duty vehicle production outlook (million)
Calendar years

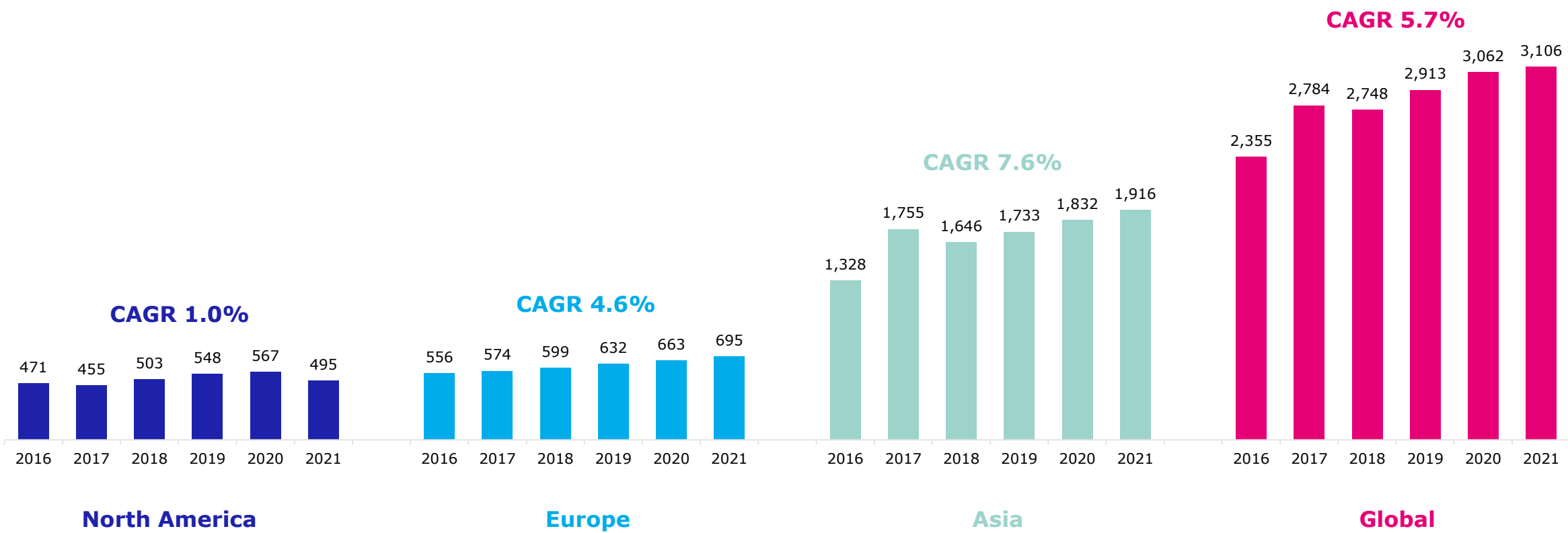


Light duty emissions control legislation roadmap

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Europe	EU 6b		EU 6c / RDE Phase 1				RDE Phase 2 / 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/ RDE Phase 1		RDE Phase 2 / 97g/km CO ₂			EU 7?	
China (Beijing)	BJ5 (EU 5)		BJ6			China 6b			China 6b / RDE		
China (Nationwide)	China 4 (EU 4)			China 5 (EU 5)		China 6a					
India	BS4 (EU 4)					BS6 (EU 6)			BS6 / RDE		
Indonesia	EU 2				EU 4						
Thailand	EU 4				EU5					EU6	

Heavy duty diesel vehicle production (regulated engines)

Heavy duty diesel vehicle (regulated engines) production outlook (thousands)
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 VI?		
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)	China V		China VI								
China (Nationwide)	China IV			China V		China VIa			China VIb		

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 (Beijing)	Tier 3		Tier 4a			Tier 4b?			
China (Nationwide)	Tier 3				Tier 4a				Tier 4b?



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