

Johnson Matthey announces sale of Health

16th December 2021

- Johnson Matthey announces the sale of its Health business to Altaris Capital Partners, an investment firm focused exclusively on the healthcare industry, for £325 million enterprise value
- Johnson Matthey will retain approximately 30% equity stake from which it expects to realise significant additional future value
- Completion anticipated in mid-2022

Johnson Matthey Plc ("JM"), a global leader in sustainable technologies, today announces that it has entered into an agreement for the sale of its Health business to Altaris Capital Partners ("Altaris"), a leading healthcare investment firm.

JM's Health business is a global developer and manufacturer of specialist and complex active pharmaceutical ingredients for pharma and biotech customers. JM announced a strategic review of the Health business in April 2021.

Health will be sold for a total consideration of £325 million representing an implied transaction multiple of 9.8x underlying EBITDA of £33.0 million for the 12 months to 30th September 2021. JM will receive £150 million cash on completion and will retain approximately 30%¹ equity stake in the business, from which we expect to realise significant additional future value under Altaris' management. An additional £50 million payment will be contingent on the achievement of certain performance targets in FY23 and FY24 and a further £50 million will be structured as a vendor loan note, which will be deferred until a future exit and will accrue interest at a rate of 8% per annum until this point, compounding quarterly.

The board of JM carefully considered a number of factors in reaching its decision to sell Health. In particular:

- Health operates in different markets from the rest of the Group and the strategic review concluded that it was not core to JM
- Altaris has a strong track record in growing and driving value creation in businesses within the healthcare sector, and specifically within the pharmaceuticals sub-sector. Since the firm's founding in 2003, Altaris has completed 18 platform investments in businesses that develop, manufacture and transport complex medical products. Through retaining approximately 30% minority interest under the transaction structure, JM expects to realise significant additional future value as the business grows under Altaris' majority ownership
- JM had planned c.£150 million of capital expenditure in Health over the next three years. A sale of the business will ensure that JM can redeploy this capital into scaling up its more attractive and higher returning growth businesses

The sale is expected to give rise to an accounting loss on disposal/impairment of around £200 million. The transaction is subject to regulatory approvals and is expected to close in mid-2022.

The use of proceeds when received in FY23, will be determined in line with our capital allocation policy and in the context of the strategic review to be carried out by the incoming Chief Executive, which will be communicated with the preliminary results in May 2022.

Robert MacLeod, Chief Executive of JM, said:

“As the world transitions to more sustainable technologies, we are focusing our portfolio on the most attractive growth areas, specifically businesses driving growth from climate change solutions – circularity solutions, hydrogen technologies and decarbonisation of chemicals and fuels. The sale of Health is a further step towards simplifying our portfolio.

While Health has good long-term prospects, near term trading has been challenging, and the business requires significant capital investment. Health operates in different markets from the rest of JM, and we believe Altaris is the best partner to drive its future value.”

George Aitken-Davies, Managing Director of Altaris, said:

“We believe that our healthcare focus and experience in the pharmaceuticals sector will enable Altaris to be a good owner for Health going forward.

Moreover, we have previously completed 25 carveout and corporate partnership transactions, and understand the importance of providing continuity of operations and service to customers. We look forward to working with the Health team and to investing in the company to drive future growth and long-term value creation.”

About Altaris

Altaris is a healthcare investment firm with an exclusive focus on building companies that deliver value to the healthcare system through innovation and efficiency. Altaris’ operating companies are addressing some of the most complex problems in the healthcare industry, with the ultimate goal of improving access and outcomes for patients. Since inception in 2003, Altaris has invested in more than 45 healthcare companies that have contributed to advancements in the industry and generated significant value appreciation for investors. Altaris is headquartered in New York City and manages \$6.0 billion of equity capital. For more information, please visit www.altariscap.com.

About Health

Health is a global leading developer and manufacturer of specialist and complex active pharmaceutical ingredients for pharma and biotech customers. Health has more than fifty years of experience, with long-standing and trusted customer relationships.

Health has c.1,000 employees and seven development and manufacturing sites globally. In the year ended 31st March 2021, Health delivered sales of £237 million and underlying operating profit of £31 million. As at 30th September 2021, Health had gross assets of £553 million. In H1 2021/22 Health delivered sales of £83 million and an underlying operating loss of £4 million.



About JM

JM is a global leader in science that enables a cleaner and healthier world. With over 200 years of sustained commitment to innovation and technological breakthroughs, we improve the performance, function and safety of our customers' products. Our science has a global impact in areas such as low emission transport, pharmaceuticals, chemical processing and making the most efficient use of the planet's natural resources. Today more than 15,000 Johnson Matthey professionals collaborate with our network of customers and partners to make a real difference to the world around us.

Notes

1. Altaris' and JM's equity interests are approximately 70% and 30%. As downside protection for Altaris, its equity interest includes the right to an 8% cumulative return in preference to JM's equity interest.

The person responsible for the release of this announcement is Nick Cooper, General Counsel and Company Secretary of Johnson Matthey Plc.

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Johnson Matthey Plc is listed on the London Stock Exchange (JMAT)

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