JM Johnson Matthey
Inspiring science, enhancing life

Presentation of results for the half year ended 30th September 2024

Wednesday, 27th November 2024

Introduction

Martin Dunwoodie

Director, Investor Relations, Johnson Matthey

Welcome

Good morning, everyone. I'm Martin Dunwoodie, Director of Investor Relations here at Johnson Matthey. Thank you everyone for coming along today, and for those of you who have tuned in on the webcast.

A little bit of admin before we start. If you have mobile devices, please could you turn them off or turn them to silent.

We're going to follow the usual format today. So we'll have a presentation followed by Q&A, and we'll take the Q&A first from the room then the webcast. And I'd say very pleased to welcome today Liam Condon, our CEO, and Stephen Oxley, our CFO.

Disclaimer

I'll point to our cautionary statement as usual.

And with that, I'll hand over to Liam for the presentation.

Overview

Liam Condon

CEO, Johnson Matthey

Agenda

So thanks a lot, Martin, and a warm welcome to everybody here at the London Stock Exchange. And of course, a very warm welcome to everybody who's joining us online today.

As Martin said, I will give a brief introduction, say a little bit about what's happening in our markets and what's happened at JM in the past six months. Stephen’s going to talk you through the financials. I'll give you an update on our strategic progress. And then we'll have most of the time available for Q&A, which we are very much looking forward to.

Catalysing the net zero transition

So if we get straight into it, what you've seen from our results that we published this morning was we believe a pretty resilient performance in the first half. And it was actually very much in line with our expectations. To tell you the truth, this is the first time since I've been at Johnson Matthey that we were slightly ahead of our internal budget. So just by way of framing, this was very much in line with our internal expectations.

Really important point, we have maintained our full year outlook, which implies a strong second half. And I'm going to, together with Stephen, explain to you why we have that confidence in the second half.

It goes without saying it's a very challenging backdrop from a macroeconomic point of view. But there's a lot of things that we, as Johnson Matthey, can control. And we're going to talk about what they are and how they're impacting our results.

One of the things that's very much in our control is our ongoing transformation. We're becoming a more efficient organisation overall. And you can see the benefits of that transformation both in the first half from a savings point of view, and more to come in the second half and indeed in the following year as well. So we'll talk a little bit about that.

And we're progressing – I think it's really important for a company like JM that's been around for 207 years, which has a very strong purpose to catalyse the net zero transition – it's important that we're not only making operational progress, really important that we're making progress on the strategic side as well. And I'm happy to say we're making very good progress here.

Focused on the areas we can control

Now I mentioned we talk a lot internally about controlling the controllables. Focussing – and we can't complain about all the stuff that's not going in our favour – we double down and focus our energy on what we can control. I'm going to unpick that a little bit.

I would also mention this is – for Johnson Matthey – this financial year is really a tale of two halves. You've seen two of our businesses perform well, very well I would argue, in the first half, and two that didn't perform so well. And I'll explain that.

So the two performing well, if you look at the overall environment for Clean Air, the automotive environment, I don't think anybody would argue, is a difficult environment. We've actually managed to improve margin in Clean Air. This is a lot due to the transformation that's ongoing. A lot of progress also on winning new platforms. So I think here, very robust performance from Clean Air.

Catalyst Technologies the same, great progress from a margin point of view in a chemical market that's not exactly booming. Here, good, really, really strong progress. We've also made significant progress on our manufacturing and operational efficiency side. And also here are making some noticeable wins.

So good, robust, very solid first half for these two businesses, and more to come. You can expect Clean Air to continue in the second half. You can expect Catalyst Technologies to continue to be strong in the second half as well. So year-on-year, Catalyst Technologies will continue to grow.

What you didn't see was a strong performance from Platinum Group Metals (PGM Services), and you didn't see a strong performance from Hydrogen Technologies. So what can you expect to come here?

You can expect a very strong second half for Platinum Group Metals (PGM Services), and there are multiple reasons behind this. And this was in our original budget from a phasing point of view. We expect and have line of sight to a significant uptick in volumes from a refining point of view. So we have managed to replace – due to our commercial excellence efforts – managed to replace a lot of the automotive catalyst scrap refining volumes which have been somewhat depressed. We've managed to replace that with industrial feed which is actually higher margin product, which is actually on site ready for refining now. So this is something that we know is there and is something that we can lean into in the second half. So increased volumes on the refining side. We also have a very strong and growing life science technology Products business for Platinum Group Metals (PGM Services), where from a seasonality point of view, the vast

majority of those sales come in our second half. So there we have clear line of sight. We also had planned downtime in our refineries in the first half, which meant we didn't have as much metal recovery as if we didn't have that situation. So we expect more metal recoveries in the second half. And we have a transformation efficiency programme ongoing in Platinum Group Metals (PGM Services). So a multitude of reasons to explain why PGMs (PGM Services) will be so much stronger in the second half than in the first half.

And on Hydrogen Technologies, you saw a loss. This is still an investment business, a nascent investment business. You saw a loss that was of the magnitude of the previous year but lower sales, and of course, those lower sales have an impact then on the size of the loss. So what you will see going forward is a sequential improvement on that loss in the second half. So that will become visible because of the restructuring and the cost measures that we've already taken in that business.

So a lot to look forward to in the second half. And that's all against the backdrop of what is, we believe, a very disciplined approach to capital allocation. We said we were going to divest anything that's non-core. We have completed those divestments in a relatively short frame of time, completely done. We've gotten a very good cash return for those divestments. And as we had committed to shareholders – we said if we have excess cash, we'll return it to shareholders – so we're in the middle of a £250 million share buyback, again delivering on the commitments that we made.

And given that some elements of the net zero transition, particularly related to green hydrogen have slowed down, we're adjusting our CAPEX, adjusting our spending level going forward and that also ultimately will impact our ability to generate cash from a positive point of view. So overall, plenty of reasons to understand hopefully why we have a strong confidence in the second half, and, with that, why we maintain our guidance for the full year.

Now to take you through the first half financials in more detail, I'll hand over to Stephen. And with that, Stephen, over to you.

Financial Results

Stephen Oxley

CFO, Johnson Matthey

Agenda

Thank you, Liam, and good morning, everyone. Let me start with the headlines.

Resilient performance

So we've delivered a resilient performance in the face of challenging end markets. On a continuing basis sales decreased 3% and underlying operating profit 4%, in line with our expectations.

As you heard from Liam, we expect a stronger second half, with greater transformation benefits and stronger PGM Services, so we maintain our full year guidance.

Free cash flow was £347 million. This was driven by proceeds from the disposal of Medical Device Components, which completed on 1st July, and that concludes the divestment of our Value Businesses.

Net debt closed at £783 million, lower than year end and at 1.4 times EBITDA compared to our target range of 1.5 to 2 times.

We started our £250 million share buyback in July and completed half of this in September. The second tranche will complete by March.

And we declared an interim dividend of 22p per share in line with last year.

Now let's turn to our performance in more detail starting with sales.

Sales down 3% in a challenging market

Sales excluding divestments decreased 3% at constant currency to £1.7 billion.

Clean Air sales were down 7% to £1.2 billion as the business was impacted by weak end markets as well as previously announced platform losses. Sales in PGM Services decreased 9% to £207 million, largely driven by our refining and trading businesses. Catalyst Technologies grew 20% to £336 million as Licensing sales more than doubled and Catalysts delivered double-digit growth. In Hydrogen Technologies, sales declined to £20 million, due to a slowdown in market development.

Turning now to profit.

Operating profit benefiting from transformation

Underlying operating profit was down 4%, excluding divestments and foreign exchange.

This was partly driven by pricing headwinds from historic contract commitments in Clean Air, and mix effects. Volume growth in CT was more than offset by declines in Clean Air and PGM Services. And as we discussed in May, metal prices have stabilised with an impact of just £3 million in the first half. Excluding this, operating profit decreased 2%.

As you can see, we almost fully mitigated our top line performance through the benefits of our transformation programme.

Delivering transformation benefits

We delivered £35 million of cost savings in the first half, bringing the total to £155 million. We're on track to deliver £200 million savings by the end of this year. And as these savings annualise, we will deliver a benefit of more than £50 million in 25/26, bringing total savings to more than £250 million.

Initiatives in the second half include further reducing headcount, optimising our procurement and embedding global business services. The estimated cash cost to deliver the programme remains unchanged at £130 million with around £20 million to go.

Underlying results

Looking at the rest of the income statement on an underlying basis. Finance charges decreased to £23 million as a result of hedging benefits and a release of interest on tax provisions. We expect the full year interest charge to be around £60 million. The underlying effective tax rate of 22% is in line with guidance as the world moves towards higher minimum tax rates. And underlying earnings per share were 57.4p.

Reported results

Our reported operating profit of £575 million benefited from a gain of £484 million, largely from the disposal of Medical Device Components. In addition, we incurred £63 million of major

impairment and restructuring charges. This comprises £23 million of non-cash impairments, and that's mainly due to the rationalisation of our IT assets, and £40 million in cash restructuring charges as we continue our transformation.

Turning now to the individual businesses.

Clean Air: resilient performance despite challenging market

Clean Air sales decreased 7% against a challenging market backdrop, where global vehicle production declined across both light and heavy duty. Volumes were also impacted by platform losses that I mentioned earlier.

In light duty diesel, sales grew 2%, outperforming a declining market. This was mainly driven by a favourable product and customer mix in Asia.

Sales in light duty gasoline were down 11% as a result of lower market production, underperformance of our customers in China, as well as some platform losses in Europe and North America.

And in heavy duty diesel, sales decreased 16% due to customer underperformance in Europe, share losses in China and weaker Class 8 truck volumes in North America including the ramp down of a large customer platform.

Despite the decrease in sales, operating profit increased 2% as we continue to focus on operational excellence and transformation. Margin increased 80 basis points to 10.4%. And we expect a sequential improvement in operating performance in the second half with further margin expansion towards our 25/26 mid-teens target.

Finally, we expect strong further cash flow this year and remain on track to deliver our target of at least £4.5 billion.

PGM Services: impacted by soft end markets

In PGM Services, sales decreased 9% to £207 million.

Our refining business was impacted by lower volumes with continued softness in auto scrap recycling and lower metal recoveries. With stable metal prices, there was a price headwind of just £3 million.

Our PGM trading business was also down due to market softness and lower metal price volatility.

Operating profit decreased 35% to £51 million as a result of lower refining volumes, metal recoveries and metal trading gains.

So looking ahead, as Liam said earlier, we expect the second half to be significantly stronger. We have clear line of sight over higher volumes, increased metal recoveries and efficiency benefits as we optimise our cost base.

Catalyst Technologies: Strong sales and profit growth

In Catalyst Technologies, sales grew 20% to £336 million, while operating profit increased 43% percent to £50 million.

Sales in Catalysts were up 10%, driven by first fills, as new customer plants came online in China, and a cyclical recovery in methanol refills. This more than offset a weaker performance in additives and a slowdown in formaldehyde.

In Licensing, sales more than doubled £60 million, largely driven by our existing portfolio. And there was continued momentum in sustainable technologies where sales more than trebled from a low base.

A greater contribution from Licensing, higher Catalyst volumes, and efficiency benefits helped to deliver strong profit growth, and margin expanded to 14.9%.

Following a strong first half, especially in Licensing where sales can be lumpy, we expect the second half to be slightly lower. We maintain our guidance of strong growth and mid-teens margins for the full year.

Hydrogen Technologies: operating loss flat despite lower sales

In Hydrogen Technologies, sales decreased to £20 million, driven by a slowdown in market development and customer de-stocking. The business reported an operating loss of £26 million, in line with last year, as we reduced cost and investment to offset lower sales.

Looking ahead, we expect a significantly lower operating loss in the second half as we take further action to reduce cost. And we still expect the business to breakeven by the end of 25/26.

Net debt

We closed the first half with net debt of £783 million, £168 million lower than March, and as I said earlier, net debt to EBITDA was 1.4 times. This reduction was driven by strong cash flow from divestments, partially offset by returning £224 million to shareholders through dividends and the share buyback.

Precious metal working capital was flat, reflecting stable metal prices and efficient management of our metal balances. Non-metal working capital increased by £146 million, mainly due to lower payables. We expect to drive working capital down over the second half by reducing inventory levels, and to deliver strong operating cash flow across the Group.

CAPEX was £171 million, including investment in our new world-class refinery in PGMS. This remains on budget and on schedule to start commissioning by the end of 25/26.

Improving cash flow

We have a clear path to improve future cash flow.

Our transformation and cost programmes are driving higher margins, allowing more cash to drop through from our operations.

CAPEX is trending downwards. In May, we guided to up to £900 million over the three years to 26/27, a reduction on previous periods. Around £250 million is for our new PGM refinery, which will be self-funded through lower working capital. Once complete, CAPEX will then reduce substantially.

Finally, we do not expect material swings in working capital, now that PGM prices have stabilised.

So taken together, this will generate improved cash flow and the opportunity for greater returns to shareholders.

Finally, then turning to the outlook.

Outlook for year ending 31st March 2025

As you've heard, we maintain our guidance for the full year.

On a like-for-like basis, excluding divestments, we expect at least mid single digit growth in operating performance at constant currency and metal prices.

In Clean Air, we expect modest growth in operating performance, supported by further transformation benefits.

In PGM Services, we expect a broadly stable performance, with a significantly stronger second half, driven by higher sales, metal recoveries and cost optimisation.

We expect Catalyst Technologies to deliver strong growth and mid-teens margins with a slightly lower second half.

And despite lower sales in Hydrogen Technologies, we anticipate a significantly smaller operating loss, as we make further cost reductions.

And if metal prices and exchange rates remain at their current level for the rest of the year, we expect adverse impacts of around £3 million and £10 million, respectively.

Summary

So in summary, in the face of challenging market conditions, we've delivered a resilient performance and we maintain our full year guidance of at least mid-single-digit growth.

We're managing the things that we can control. Driving our transformation programme, reducing our cost base, investing with discipline and running an efficient balance sheet.

We're generating strong cash flows. Net debt is down to £0.8 billion. And we're making returns to shareholders through dividends and our share buyback.

And with that, I'll hand back to Liam.

Strategic Progress

Liam Condon

CEO, Johnson Matthey

Catalysing the net zero transition

Great. Thanks a lot, Stephen. So I'm going to take you through our strategic progress and then we'll dive into the questions.

So just a quick reminder of our portfolio post-divestments. This is it. These are the four parts of our portfolio where we have the aspiration, the ability, the capability to be global market leader in each and every one of these businesses with PGMs (PGM Services), the Platinum Group Metal business, as the underpin, supplying and recycling critical PGMs for all of the other businesses.

Progressing our strategic milestones

Now in the last full year update, we set out new targets for the full year, new strategic milestones. And I'm happy to say for all of the milestones and we've grouped these around customers, capability and transformation, we are on track, so they're all green, with one

exception, which is related to Hydrogen Technologies, green hydrogen, which is market-related due to the slowdown in the market development there. I'm going to go through each of these points through the following presentation, but key point is here versus the latest strategic milestones that we've set ourselves, we are very much on track.

Clean Air: accelerating the next phase of our transformation

Now if we go first to Clean Air. And we had said last year as well, near term what will drive results is really Clean Air and CT, and that's what you saw in the first half.

In Clean Air, Stephen has already spoken about how the results were in the first half but how we're expecting to continually progress in the second half as well. And here, we will continue on our journey of optimising the manufacturing footprint, increasing utilisation.

What we are doing over time is focussing our production in our most efficient plants, that's where the consolidation is happening. That takes a little bit of time because each plant is related to specific customer contracts. But all of those plants, those most efficient plants, have already been built so the CAPEX is already spent, and that's the reason why our CAPEX is well below depreciation for this business. So we will continue on that manufacturing excellence journey.

In addition, we will continue to pursue further opportunities in procurement and supply chain. We actually have a new lead for supply chain in Clean Air, who's finding plenty of new opportunities for us to pursue. And we have a new global head of procurement who has wide eyes when he looks at our procurement portfolio and sees the opportunities that we have. So with these two new leaders, we're taking a fresh look at what's possible from a Clean Air point of view.

And this gives us again confidence that we can continue on our journey here to target mid-teens margins already very soon by end of 25/26, and why we are very confident that we can deliver on the £4.5 billion cash flow target up until 30/31, with plenty more to come thereafter as well.

Another element of that is reducing R&D spend, which is, of course, related to the winding down of emissions regulations. So that's Clean Air.

Catalyst Technologies: winning with customers in sustainable technologies

On the Catalyst Tech side, you've seen again a very strong performance. What you don't really see in that performance is the impact of the sustainable technology project wins that we have. This is all on the books now to be coming in, in the coming years. But we already have 13 projects racked up here, three in the last half year from a sustainable tech point of view. In the last half year, it's two sustainable fuel projects, it's one low carbon hydrogen project. And we have a very strong pipeline of over 140 sustainable solution projects.

Now one I want to just dive a little bit into to explain also the dynamics of our portfolio and a little bit also how it hangs together is the DG Fuels’ sustainable aviation fuel plant in the USA, because we have recently also won a new licence for that business. So we had won a licence for that business. We've won a new licence, which I'll explain in a minute, which has a material impact on our results going forward. We're not counting it as a new project win because we

already had that customer win, but it is pretty important. And let me try and unpick that a little bit.

Case study: DG Fuels Louisiana SAF plan

This is the example: DG Fuels. This plant is in Louisiana. This is the world's largest Fischer-Tropsch sustainable aviation fuel plant.

Without getting technical about this, it's pretty cool stuff. I mean what you're doing is taking agricultural residues, in this case, sugarcane. So sugarcane that's been harvested. You have all the roots on the ground. You take that as a residue and with our technology, you turn it into sustainable aviation fuel. You got to think about that, using agricultural waste to fuel a jet plane is pretty special from a technology point of view.

And we had already sold the FT CANS technology that's a specific licence to DG Fuels. And DG Fuels has now also taken a HyCOgen technology licence from us. So with the HyCOgen technology, we basically can turn this waste biomass (this used sugarcane) plus hydrogen, turn it into syngas. And then with our FT CANS technology, we turn that syngas into synthetic crude, upgrade it further, and then it becomes sustainable aviation fuel.

Now the really important thing about this project apart from that amazing technology is at the bottom, because we believe that this is how this industry and sustainable aviation fuel is going to evolve. There is an offtake agreement in place with Air France KLM and Delta Airlines. There's also a strategic partnership in place between DG Fuels and Airbus to accelerate the penetration of sustainable aviation fuel. And this is really important because that gives then DG Fuels the confidence, line of sight, to demand, and it gives the producer line of sight to a cost-effective source of sustainable aviation fuel. So having that offtake agreement in place massively increases the bankability of projects like this. And this is why this is such an important project. And in this specific case, there's actually two sources of revenue coming in to JM. And we believe this is the future of the industry. There will be offtake alliances being formed. And in this case, the world's largest FT plant, it is JM technology at the heart of it.

Winning with partners to strengthen the offering

Now one more example of CT and where things are going. Again, there's maybe a lot of technical detail on this slide, but it's actually quite interesting. In essence, what we're saying is if you think about it from a customer point of view, customers are looking for solutions to decarbonise what they are doing. And this could be a decarbonised ammonia solution, it could be multiple pathways to sustainable aviation fuel, or it could be low carbon hydrogen, blue hydrogen. And we can take different feedstocks and with our technology combined with partners, we can develop an end-to-end solution for customers. And this is important because our technology isn't always going to go from end-to-end. Actually, nobody's technology is usually going to go end-to-end. So what happens from a customer point of view is, you have to negotiate with multiple companies, you have to put different flowsheets together and you have to negotiate different contracts and prices. And it's all a bit clunky.

What we have done here is develop integrated flowsheets with market leaders in the space, in this case, Honeywell UOP and (thyssenkrupp) Uhde. And from a customer point of view, it's pretty easy, we give them one flow sheet, one price, and we can guarantee that this is going to work. It makes life much easier from a customer point of view. And this is again another example from a commercial excellence point of view of how we're winning and why we're

winning in the marketplace is because we're taking a very customer-orientated approach backed up with excellent technology. But the excellent technology alone is not going to sell itself unless it's put in a customer friendly format. So that's just one more example here.

Building capability

I spoke, apart from building commercial capabilities, in the past I spoke about the importance of us also strengthening our engineering capabilities. We've made very strong progress here, increased the amount of engineers we have. We've gone far afield and – maybe Manchester's not that far, but Mumbai is – and here the key goal of going to both Manchester and Mumbai was to tap into different pools of engineers, to allow us to service the demand that's out there for our products. So we're very much on track with building our engineering capability.

Another really important point for a company like JM, where platinum group metals (PGM Services) forms the backbone – we are building the world's most efficient platinum group metal refinery to replace our old refinery, which is in the meantime very old as in 50, 60 years old. This is a once-in-a-lifetime replacement. This won't need to be replaced again for another 50, 60 years. It's a one-time CAPEX effect. It will ultimately result in a plant that's a lot more efficient, a lot safer, a lot more sustainable, but it will also result in a significant working capital benefit as well. So I think a lot to look forward to there, and thankfully that is, as Stephen said, on budget and on time.

Transforming at pace

On transformation, we've spoken previously about multiple threads that we're working on. The most visible probably from an investor point of view is, of course, the cost savings element, £155 million so far. We have a target of at least £200 million this year, so you know what's coming in the second half. And as Stephen pointed out earlier on, the annualisation of that impact carries over into the following fiscal year. So we do get a benefit from that as well.

JM Global Solutions might not sound very exciting to anybody here. This is actually pretty fundamental for JM, for us to be able to work in a more efficient manner. This is all about the professionalisation of our transactional processes. So we have developed an outsourced, shared service centre approach here. And this isn't something where we're in the planning stage, this has already been implemented in our core markets. We have lifted our processes across, whether it's HR, finance, procurement, IT, and are in the process now of developing those end-to-end, much more efficient processes, which will benefit both customers, internal users and our cost base. So this is just part of setting a more solid foundation for the company, a more agile, more efficient foundation.

And the final piece I'd highlight here – and for this I have to say I am eternally grateful as well. There's a lot of change going on at Johnson Matthey, there's a lot of change going on in the world but also within Johnson Matthey, there's a lot moving at the same time. And when you go through that change, it can be hard to keep people engaged. I've been very encouraged that we've seen, for the second time in a row now, an uptick in our engagement scores. So that that is something that I think is really encouraging and is really testimony to the resilience of our people who are driving the results that we've been presenting today.

Sustainability is embedded in everything we do

Finally, on sustainability. This is really embedded in everything we do. We launched our Nature strategy in September. We've completed our double materiality assessment for the European sustainability directive. And we have celebrated our third annual Global Safety Day, really important for us to have a really safe culture.

I'm always a big believer, if your safety culture is good, the rest of the culture will be good. We've seen significant improvement in our safety stats, and that's another pointer for me that the transformation of JM is going very much in the right direction.

And we get recognition from that from external parties as well.

Catalysing the net zero transition

So that was basically everything we wanted to present today. I hope between Stephen and myself, we've been able to explain both the first half results and why we are so confident in the second half and why we maintain our outlook for the full year.

And with that, we're very much looking forward to your questions. Thank you very much.

Q&A

Martin Dunwoodie: All right. We'll take questions in the room first. Tristan over on the right.

Tristan Lamotte (Deutsche Bank): Thanks. Tristan from Deutsche Bank. Positive that you're guiding to an improvement in Clean Air in the second half because I think this has been a key source of uncertainty for markets. What kind of visibility do you have now on autos markets? And how confident are you on the guidance for H2?

And maybe you could also talk about how you performed versus the market in H1 as well, please? Thanks.

Liam Condon: Do you want to start?

Stephen Oxley: Yeah. So as we talked about, Tristan, great performance. Clearly, top line down a little bit, but more than made up for that with profit growth, which is fantastic.

I think relative to the auto market, I mean, the decline of 7% was sort of roughly half and half – half market, half those previous platform losses. That clearly does give us pretty good line of sight into the second half. We're not assuming significant, if any, volume recovery in the market. That's really important. The auto market is really tough. And therefore, the profit and margin progression will be more of the same – it's more self-help, the transformation benefits that we've talked about – and that will give us the further sequential improvement in operating margin that we've seen. You'll see that into the second half, as we get much closer to that mid-teens target, which we'll reach in 25/26.

Liam Condon: Yeah. And I'll maybe add a little bit forward looking and then ask Anish to give some colour, because he's talking to the OEMs every day.

I think so far this year, if I look at our HDD win rate, the heavy duty win rate is top-notch. So we are very confident in our heavy duty market share going forward. And if I look at next year – I mean, we're in the middle of the planning process – from a market share point of view, we're probably looking at a stabilisation next year, that would be our expectation. But again, I'd rather ask then Anish to chime in here and just give a bit of colour what's happening in his discussion with the OEMs.

Anish Taneja: Yes. Thank you, Liam. Good morning, everyone. So I think when we look to our customers in the automotive segment, they have a very difficult environment right now because several impacts are coming together. The first one is that they have less demand on the consumer and the fleet side, impacting LDG, LDD and HDD. On top of that, they have a fundamental transformation of the market in China, which is really impacting mostly the Western OEMs. And now the uncertainty about tariffs. So there's a lot of things coming together, which makes it very difficult to predict the volumes in the market, short-term and mid-term.

And that's just a reconfirmation for our strategy to really focus on what we can control. And that is really our value-based pricing, which we are more and more implementing to the market. It's the focus on our efficiencies, our transformation. And you've seen on the slide that we are currently initiating the second wave of the transformation in Clean Air, that is going to unleash a lot of potential to really reconfirm the guidance and the commitments we have given, which is mid-teens margins by end of fiscal 26 and the £4.5 billion of cash until 2030/31.

And we can more and more clearly see that there's even lots of cash after 30/31, which is coming from combustion engines being definitely stronger for longer. We just have to wait a little bit in which areas, which segments and which markets of the world.

Martin Dunwoodie: Okay. Next question, Sebastian in the middle.

Sebastian Bray (Berenberg): Thank you. Sebastian Bray of Berenberg Bank. Could I start with some questions on Clean Air, please? What is the level of R&D in this segment currently? From memory, it was about £100 million. And what is it being spent on at the moment? Has that – how far can that come down?

And on Clean Air, the regulatory backdrop, if we take Euro 7, China 7 and the tightening of emissions legislation in the US, what is the degree of certainty that Johnson Matthey has around the timing and this actually occurring?

I have a smaller third one, which is if there's anything left or of note on the litigation side. In particular, I think there was one case outstanding related to heavy duty. Has that been settled now or am I mistaken? And anything on the potential action related to the divestment of the old Health business would be helpful. Thank you.

Liam Condon: Yeah, thanks a lot, Sebastian. So I'll start, and Stephen, you chime in.

So on the R&D spend, it was indeed for Clean Air of the order of magnitude of £100 million. This has come down significantly. And in essence, it will continually decline over time. Where most of our R&D spend is going right now is for the new emissions regulations, so Euro 7, CARB 27, EPA 27 type rules, China and India emissions regulations update. So that's where the vast majority goes in. Once we have those emissions regulations, let's say, latest updates behind

us, then you could expect that R&D to basically come off, I wouldn't say completely, but very, very strongly to the level of just maintenance R&D.

So that is our clear expectation. And that is one of the drivers of our margin improvement going forward, both near term and long term. Overall, from, let's say, a regulatory timing and R&D point of view.

On the litigation, do you want to take that one?

Stephen Oxley: Yeah. So on the Clean Air side, Sebastian, there is no significant litigation. You probably remember, we had a couple of historic cases. That's all settled and out the way. On divestments, there is one ongoing suit. This is on the divestment of the Health business. We strongly refute any allegations there. We're very confident of our position, and we hope to get that cleared over the coming 12 months or so. So we're all clean on that side.

Sebastian Bray: Thank you. If I could just follow up the level of certainty that Euro 7, China 7 and the US legislation will actually go ahead. Is Euro 7 now set in stone? Is China 7 a question mark, given that EV penetration might be so high that it's less relevant at that stage? And any comments on the US?

Liam Condon: Yeah. So I think we're living in a world where very little is set in stone. I think it's very hard to say something is 100% certain. I think the market environment has changed to a degree that the probability that this legislation is enacted is actually higher than lower for the simple reason that because EV penetration has slowed down so much, ICEs will be around for a lot longer. So you're going to need that next level of regulatory upgrade. Otherwise, particularly in the US, you're going to get litigation because there's technology available to help save people's lives that isn't being used for cost reasons, that would not be a good outcome.

So we actually think the probability is higher than before that this regulation and legislative direction will continue.

Sebastian Bray: Thank you.

Martin Dunwoodie: Ranulf from Citi.

Ranulf Orr (Citi): Hi. Ranulf from Citi. Just two please. Firstly, back to PGMS (PGM Services). You've given the building blocks of the decline in the first half and the building blocks of the recovery. But could you be a bit more explicit, or at least rank them in terms of where you've seen the biggest deltas, where you see the biggest risks in the recovery?

And the second one would be just related to tariff exposures. Fine, it's a very uncertain future, but could you give some context, maybe your kind of net US import/exports, localised production in key regions? That would be very helpful. Thank you.

Liam Condon: Yeah, sure, Ranulf. Thank you. So I think if you were to categorise, I outlined four elements of the PGMS, let's say, that the reason why the second half will be significantly better. By and large, they're roughly equal, by and large, so without getting into epic detail.

The first one being the refining volumes. And again, the refining volumes are not automotive catalyst scrap. This is industrial scrap, higher-margin industrial scrap. Automotive catalyst scrap tends to be lower margin. So higher margin volumes, that's one significant piece.

The second one is the volumes related to life science technologies. This is pharmaceutical and agrochemical customers, products using PGM catalysts, where typically those sales come in our

fourth quarter, financial quarter, so the first calendar quarter. And there, we have line of sight to those volumes as well.

The metal recoveries, I mean we've been in this business for so many decades, we know where and when the metal recoveries will come in.

And then the efficiencies are all, I would say, in our own gift. This is just about us managing our cost position.

So all of those elements, I would say the puts and takes, we largely have line of sight. We have the refining volumes largely on site, ready to go. We have the order books for life science technologies. We know from past experience where the metal recoveries will come from and the efficiencies is just up to, let's say, management discipline. So by and large, there will be some differences, but it's like four not completely equal, but relatively equal buckets. And the probability, or let's say, the risk related to those is relatively low because either we have on-site or line of sight or it's completely in our gift. That's the way I would categorise it.

Stephen Oxley: And maybe just, Ranulf, to add from my perspective. So we're talking about things that within our control, okay? We're not assuming that there is a recovery in the auto scrap market. That's really important. We're talking about contracted volumes on the non-auto side. And we're not assuming that the metal markets return to being sort of highly volatile. That's really important.

Now hopefully, when we get into next year and the economy recovers, and we will see that return in the auto scrap market, which gives us confidence not only in the next six months but then the business, obviously, going forward with the new refinery.

Liam Condon: And then on the second question, Ranulf, on US tariffs and what's being discussed now. I mean, first, I think we all have to see what really happens. But a few data points from a JM point of view.

Canada and Mexico, if you kind of take them together because that's the one that's been discussed most recently in the media. From a sales point of view, this is about ballpark 5% for JM – so very small. The US is a very significant market for us, but the US is also a market where we have extensive manufacturing and refining footprint so we tend to service the US from the US. So we don't need any additional investment in – for example, in manufacturing locations because of any fear of trade tariffs. So we are well set up in the US.

Typically, our biggest manufacturing sites are US, Europe and China, where we typically serve local for local, by and large. So although tariffs for sure will have a global impact and there might be knock-on indirect impacts, we believe the diversification of our portfolio and geographic footprint puts us in a relatively solid position there.

Ranulf Orr: Just a follow-up, if I may. Just on the change in feedstock for the refinery. Is this – I mean, how have you managed to transition from auto scrap to industrial scrap? And if it's such a higher margin opportunity, why hasn't this been done previously? And is this something that is a structural change to the margin going forward?

Liam Condon: Yeah, it's a great point. So we have always had industrial feed as well. So we've had a lot of automotive catalyst scrap, but we have also always had industrial scrap. Practically, we were, in most cases, given the refinery capacity limitations that we had, we were maxed out on how much we could take in. Given that the automotive catalyst scrap market

has been so depressed, our teams – our commercial team went out and sourced new industrial materials. So this was an active process – because we had capacity, we sourced new industrial feeds, which are higher margin because they're more complex refining processes than automotive cat.

And indeed, that is going forward will be actually a shift in mix over time. That industrial higher-margin feed will become more relevant, particularly with the new refinery going forward, where we have stronger capability to take in more. So that should actually benefit us going forward. And I'm happy to say the team has been pretty strong in getting in those new customer contracts.

Stephen Oxley: I think, Tristan, there's a real shift in the culture of that organisation. Sorry, Ranulf. PGMS, I think, historically has been seen as a bit of an internal supply business. And we're really benefiting from bringing commercial strength to that organisation. First, Alastair, and now Louise Melikian. And I think that gives me real confidence that there's much further to go in that business, and we're seeing those early fruits.

Martin Dunwoodie: Any more in the room? Charlie.

Charles Bentley (Jefferies): Thanks very much. Charlie Bentley from Jefferies. Could I just ask basically two on cash? So I mean just on the commissioning of the PGMS facility and just the phasing of the working capital benefits. So like is that £250 million in 25/26, that would be quite nice, but just any thoughts on that. But – and I guess just we have a history of these facilities falling over from time to time. So like as you transition from one to the other, like what are the kind of guardrails you're putting in place to make sure that, that doesn't happen?

And then the second one is, I mean, obviously, you kind of acknowledge the underlying operating cash flow was pretty weak in the first half. I mean – and an improvement in the second. What's the expectation on your kind of year-end net debt and where you basically end up on that leverage ratio? And I mean, you speak to a declining CAPEX from 27/28 and the ability to return cash to shareholders. On a recurring basis, how do you think about using basically when you're below the low end of that range, like flexing more capital returns via buyback? You've obviously started to use that mechanism more. So just that thought around capital allocation before you get to the end of that CAPEX.

Liam Condon: Yeah. Thanks, Charlie. So Stephen will take the cash relevant net debt part, and I'll take the start-up plan and what we're doing to make sure it starts up and keeps going.

Stephen Oxley: Yeah. So Charlie, look, great question. So there's about £250 million to go on the refinery. The problem with the existing refinery being 50, 60 years old is that it's pretty inefficient and it's not very reliable, so it's tying up a lot of metal in the refining process. The new refinery will basically flush that product through really quickly. That gives us a one-time working capital benefit of about the same amount. So it's basically a pay for itself in cash terms from here in now.

We'll start commissioning by the end of 25/26. This isn't like just flicking on a light switch. That will take time to transition across the different metals from the existing refinery to the new one. That will take up to 12 months. And what we'd expect to see is that the working capital benefit will come out over that period, okay? And then we end up with a refinery that is much more efficient, much better cost base, sustainability credentials. And really

importantly, much, much more reliable. So we won't get the swings of working capital backlog that we've seen before.

The other point on working capital, and this is absolutely critical to PGMS is that that era of high metal prices and changing metal prices has passed. And that was one of the major drivers of swings in working capital on the balance sheet, and you've seen that now come through with very limited impact on the first half whatsoever.

Net debt quickly, at year-end, we'll have peak CAPEX in the second half. There is real opportunity to further bring down working capital. So I would expect us to be at or even below the target range of 1.5 to 2 times, i.e., debt will be around or less than it is now. We, of course, have £125 million of the share buyback to come but there'll be further reduction. And then longer term capital allocation?

Liam Condon: Yeah. I'll come to the transition planning, Charlie, first – so as we start up that whole PGM site, how are we going to mitigate any potential risks from an execution point of view, as I think that was your key question.

So we have an excellent project lead on the project right now – a big team, of course, has huge focus for all of us. Typically, where these projects go wrong is in the handover from the project lead to the operational lead. We already have the operational lead in place, who's one of the most experienced leaders at JM from an engineering point of view, knows the processes inside out.

And what's important to note is this plant basically processes five metals. And the processes we are aware of – so I mean we've been working with these processes for many decades. But it's still a new plant, and there can always be hiccups with new plants. So we have what I call a risk or relatively conservative approach in the sense that we will only start up the new plant in stages, basically going through different metals, make sure it works, and in parallel we still have the old refinery. So we have time. I think, in big projects like this, there are always teething problems. You have to expect teething problems. But I think from an engineering execution point of view, we have planned for that. Our backup is the old refinery continues for a bit longer. The whole thing will start up in a phased manner and should be good to go by 27, should be then fully commissioned.

So I think we've mitigated the risks as far as possible, and it just helps that we really understand inside out the processes that are, let's say, core to this new project.

Stehpen Oxley: Do you want to do the capital allocation going forward?

Liam Condon: You take it.

Stephen Oxley: Yeah. So look, the takeaway message is significant further cash generation as we come through this cycle. We've set out historically a very clear capital allocation framework that will stand the test of time, obviously prioritising investment in the business and returns.

Look, the net-net is that there's going to be further cash available. We'll have a decision as to whether that is invested inorganically, of course. But we've said we're not going to go and do anything crazy with big acquisitions or a fourth leg. So look, you can read into that that there will be cash available and I'm sure cash available for shareholders.

Martin Dunwoodie: Okay. We'll turn to questions from the webcast now. First one from Martin Evans, HSBC. And I should say Ken Rumph from Goodbody has asked a very, very similar question. I'll start with Martin's. You referred to the slowdown in the hydrogen market but is there a potential risk with the new US administration that some of the 140 sustainable technologies projects in CT (Catalyst Technologies) also see some delays or cancellations, given the more hawkish attitude to the energy transition including a scaling back of IRA subsidies.

And then Ken Rumph has kind of expanded that a little bit beyond CT into prospects for green hydrogen. And what it means potentially for existing contracts as well as the pipeline?

Liam Condon: Yeah, sure. So let me start with Martin's question. I think very relevant now what's going to happen with the US administration and things like the Inflation Reduction Act. Practically, I think it's important to understand that contracts that have been signed as part of the Inflation Reduction Act, they typically run for ten years, and you can’t change them because the new administration has come into play. So if you've signed up for a contract that's going to keep running.

I think what's really important is, and that was a surprise for many people, most of the jobs that have been created – and a significant amount of jobs, manufacturing jobs, have been created in the US due to the Inflation Reduction Act and other subsequent legislation – the vast majority of those jobs have actually been created in states where Republicans have majority. So typically that Midwest belt has been a stronger beneficiary from a jobs point of view than the Democratic states. I would be pretty sure there is no member, Republican member, of Congress who's going to voluntarily give away jobs in their district and explain that to their voters that that is a good thing for them. So I'd be less concerned about practical implications related to the Inflation Reduction Act in the sense that the train has, to a degree, left the station on many projects, jobs are in place, and it's Republican states benefiting.

I think if you think about our portfolio, and that was part of the question, Catalyst Technologies, could there be a slowdown overall in energy transition? Again, I think if you step back and look at our portfolio, what's probably, or what's likely in the US, the US, as a feedstock, has an abundance of cheap gas, typically shale gas as a feedstock. So something like low carbon hydrogen, the economics can actually work in the US. And if the economics work, that is a direction then that that companies will typically go regardless of where legislation is.

If you think of the example I mentioned with DGFuels from a sustainable aviation fuel point of view, think about farmers being actually a core clientele for the Republican party. If you can increase the income of farmers by finding a second source of income for their crops – so not just sell the sugarcane, but actually sell the residue to produce sustainable aviation fuel – that is something that's going to be economically attractive.

So I think you can take a glass half full or half empty view on this, but I don't think there will be a lack of opportunity for JM related to the portfolio that we have and legislation that we can expect going forward.

On green hydrogen, and this was more Ken's question, I believe. Green hydrogen is a bit different in the sense that for green hydrogen, you still need to build an infrastructure, you need clarity from a regulatory point of view of what incentives are going to be needed, and you need scale economies to get costs down. So that's different than, for example, low carbon hydrogen where you already have an infrastructure, often you have clarity around subsidies.

So it's a different animal. It will just – our perception is it will just take longer. That's what all the market feedback is. That's what the market forecasts are saying. It is still inevitable that the market for green hydrogen will take off, for the simple reason, you cannot get to net zero and decarbonise hard-to-abate sectors like steel, ammonia, etc., without green hydrogen. But you do need to put in place the right infrastructure, have clarity of incentives and get those cost benefits from economies of scale.

So our perception is that will just all take a bit longer. And for us, the consequence is we need to adapt to that pace of market development, make sure we're not overinvesting at a point in time where the market is simply not ready to absorb that investment and derisk our approach through more partnerships. And that's the approach we're taking.

Martin Dunwoodie: Okay. Thank you very much. Moving on to the next one, Thomas Streater from Streater Research. Can you talk about sustainable aviation fuels, and how ReFuel EU Aviation would impact market demand in the next few years and how you are placed for that?

Liam Condon: So I'm looking at my colleague Maurits, who I'm deeply concerned because he's wearing a tie, and I'm always concerned if somebody's wearing a tie, they might have a job interview afterwards. But maybe Maurits, you could chime in here on how you see ReFuel and SAF, how the European situation will evolve?

Maurits van Tol: Yeah. Hello, everyone. Sorry about the tie. All right. Good. So when you look at sustainable aviation fuels, I think it's a very exciting picture around the world. What you see is just more and more mandates coming into play. And it's not only in Europe, you see movement in the US, but you see now an awful lot of movement recently also in many countries in Southeast Asia also implementing these mandates. And now the next big one is, of course, China also talking about this, and it's about real substantial numbers, probably 15%, maybe even more of the fuel pool that needs to move to sustainable aviation fuels, timelines, roughly 2035.

So when you look at that, there is a keen interest in SAF because it's one of the very few ways to decarbonise airlines, and airline flights. And also these planes, when you buy them, they're in operation for more than 30 years, these engines need to be fuelled. So if you want to bring the carbon emissions down, you need to go to sustainable aviation fuel.

So when you look at that, there is a very strong interest in our portfolio. We have a broad portfolio, and we believe that all these mandates will continue to literally fuel the demand for sustainable aviation fuels.

Liam Condon: Great. Thanks, Maurits.

Martin Dunwoodie: Great. Thank you. Moving on to Graham Campbell from River Global. First question – two questions here. First one relating to Clean Air. You appear to be losing share as a result of platform losses. There's obviously a gap from new wins and revenue. How would you describe your success rates for new platforms?

And then the second question is on management changes. Can you give some background to the changes and roles within PGMS and corporate development/strategy? What benefits do you expect from this?

Liam Condon: Yeah. Thanks a lot. So I would suggest, for platform wins, Anish, you give some colour on that, and I'll take the management changes.

Anish Taneja: So on the platform wins, actually, we are in a pretty good situation. The target has been beaten consequently since more than 12 months now. To give you an indication, our year-to-date win rate in HDD, for example, is 100%. So that is pretty good, I would say.

I would like to outline two topics. The first one is, as our industry evolves, there's new opportunities to win business outside of tenders. And we have just won for the first time a platform that we had historically lost, back to JM, outside of a tender process. And I think this is a first very good result of the hunting that we have implemented everywhere in the company, the mindset, the spirit, the processes, with the sales incentive plan being implemented more than 12 months ago. So there's really good results proving that our commercial focus is helping.

And the second thing on the commercial opportunities is really cross-selling, which the four businesses are implementing right now. There's a reason why in the strategy PGMS is always the backbone because it's important for all of our customers. And as far as I can see, for example in HT already, the cross-selling opportunities between HT and PGMS, CT and PGMS or even Clean Air and PGMS are huge. And what we want to do strategically is moving from customers having a transactional relationship with one of the JM business units to a strategic relationship with JM because they work with more than one business unit. And I'm quite convinced this is going to unleash further opportunity for the company and strengthen our win rates in all four businesses.

Liam Condon: Thanks, Anish. So on the management changes, I can outline what they are, and more importantly, what the rationale behind them was.

So first point to note is we have decreased the size of the executive leadership team. This is simply very much in line with our overall transformation now that we've made so much progress, particularly with the divestments, with a smaller business. But also with outsourcing of key processes from a functional point of view, we can afford to have a smaller executive team. So that's just in line with the overall transformation of the company.

Key changes that were made. One is, we have put Alastair here in charge of what we're calling strategy and operations, which is all of the functions related to transformation, think about IT, procurement, some big ticket functions that can really impact the bottom line. And Alastair has been running a P&L, so Alastair understands JM business; he used to be a CFO in a former life, so he understands the functional world; and he is perfectly suited to bring together functions and business and make sure that we tap into all the opportunities that are there from a transformational point of view. So that was the rationale for Alastair.

Alastair's successor as the leader of the PGMS business is a lady called Louise Melikian, who's actually in India today. Louise is – she's an engineer and a former investment banker. And I don't want to tread on anybody's toes here, but she's pushy as hell. And she's got the mandate to drive – we spoke about those additional opportunities for PGMS – that's our mandate is to drive that forward.

And the final change was we have brought together what was formerly two separate units, Clean Air and Hydrogen Technologies. Given the restructuring and cost reduction in Hydrogen Technologies, which doesn't have the critical mass today to be a stand-alone business yet, we've simply brought that under one leadership, with Anish then in charge for both Clean Air and Hydrogen Technologies. And that allows us to benefit then from, of course, internal

synergies on the one side, but it also allows us to benefit from customer-related synergies, as for example, many of our customers who are big in ICEs are also moving towards a zero emission future over time. So customers are – actually, for example, for fuel cells, we're talking to Cummins, we're talking to them for both ICEs and for fuel cells and for electrolysers. So there are also customer-related synergies there.

So that's the backdrop behind it. We think it makes a lot of sense. And I'd leave it there.

Martin Dunwoodie: Great. Thank you, Liam. Last question, from the webcast anyway, is from Sid Sukumar at Jupiter Asset Management. Can you provide some colour on the working capital movements in the first half and your expectations for the second half, please?

Stephen Oxley: Yeah. Hi Sid. So first key point, just to reiterate, no or no significant impact on metal price that's really important. That's through.

We did see an outflow of about £150 million on non-precious metal working capital. That is on the payables side. That is really two things: timing – so just some big payments in the first half like bonus payments that are kind of phasing, and then secondly, one of the benefits of professionalising our back office is that we're improving our ability to pay invoices. That actually resulted in acceleration of our payables. So that's a cash outflow in the first half.

Second half, look, I think there's still real opportunity for us to drive cash through better working capital management, all right? So a real focus on getting inventory levels down, a real focus on making sure that every single invoice is collected on time or collected early. So that gives me real confidence that we've had a big focus on profit and now there's a real shift to cash. And that will drive more cash generation in the second half. I expect us on an underlying basis to be free cash flow positive in the second half even with that higher CAPEX, and then we'll see cash flow increase thereafter.

Martin Dunwoodie: Great. Thank you. So no more questions from the web. I'll just check if there's any follow-ups in the room. No, nothing come in there.

So thank you very much everyone for coming along today, and we'll see a number of you in the days and weeks ahead on the roadshows and investor meetings. Thank you.

Liam Condon: Thank you very much.

[END OF TRANSCRIPT]