Johnson Matthey Plc

Results for the year ended 31st March 2025 and sale of Catalyst Technologies

May 22, 2025

Agenda

Martin Dunwoodie
Director of Investor Relations, Johnson Matthey

Well good morning, everyone. Thank you for coming along to the LSE this morning. I'm Martin Dunwoodie, Director of Investor Relations at Johnson Matthey. Thank you, as I say for coming along, to everyone in the room and those on the webcast.

A little bit of admin before we start. Could everyone turn off mobile devices or on to silent, please. We will follow the usual format this morning – a lot of news, obviously – but usual format. We'll have a presentation followed by Q&A, both from the room and the webcast.

Very pleased to welcome today our CEO, Liam Condon, and our new CFO, Richard Pike.

I will point you to the cautionary statement ahead of the presentation. Then the agenda today. Liam will take you through an introduction. Then we'll run through the financial results with Richard, before Liam takes us through a strategy update, obviously very interesting given the news this morning. Then what that means in terms of financial outcomes from Richard, before Liam wraps up with a conclusion. Then we'll come back to Q&A from the room.

So with that, I'll hand back to Liam. Thank you.

Introduction

Liam Condon
CEO, Johnson Matthey

Great. Thank you very much, Martin, and a warm welcome to everybody here in the London Stock Exchange and, of course everybody joining us online. So three years ago, I presented for the first time here, and I have to say a lot can happen in three years, and I hope today is going to be the most exciting of the presentations I've held so far. I'm very much looking forward to doing this together with our new CFO, Richard.

Maybe just by way of intro, there's a lot of news today particularly around the sale of Catalyst Technologies. And just a small backdrop to that, because I vividly recall three years ago, being asked when I joined, if I would be open and the company would be open to selling different parts of the business. And at the time I said I do firmly believe Johnson Matthey needs to focus a lot more. We need to do a better job of simplification, and we need to execute better. We had a divestment plan in place, which we've executed on diligently. You saw the returns from MDC (Medical Device Components) last year, fantastic shareholder returns there. And now we have a new situation today.

What has changed versus three years ago? What I can tell you was there was interest even three years ago in somebody acquiring the Catalyst Technologies business. But the valuation that was on offer then was miniscule compared with today. And my answer three years ago was, there's no point in selling other parts of the portfolio because we will not get the value for them. Because in our core underlying business, the margins were actually too low and the growth trajectory was not on the right pathway. We've invested a lot in the past three years in fundamentally reshaping Johnson Matthey. And if I take Catalyst Technologies as an example, four years ago, this was a 7% operating profit margin business. We were losing market share. It had a £30 million EBIT. If we had sold Catalyst Technologies at that point in time, we would have been lucky to get £400 million to £500 million for it.

Fast forward to today our team, revamped team, has done an absolutely fantastic job improving operational efficiency in the business, driving the margin. We increased sales by 50%. We doubled the margin from 7% to 14%. We trebled profitability. And now Honeywell has come and said, we recognise that, we see the true potential of that business and we're willing to pay full price for that. And that's what we looked at with our Board and with our advisers, and we concluded that is a good deal.

Highlights

So that is the backdrop to the first announcement that we're making today; the Catalyst Technologies sale, which I'll talk a little bit more about in a minute.

Second piece is then, well what about the rest of JM? And we're going to talk extensively about this. We are in much better shape than we were three years ago. Three years ago, the outlook for Clean Air wasn't so rosy. Again, a business with 8% margins, around that ballpark, and concerns, with the energy transition, electrification, that this business was going to fall off a cliff sooner rather than later.
That has fundamentally changed. Our business is much stronger today with much higher margins, almost 12% margin this year, it will be 14 to 15% at the end of this year and going towards 16%, 18%. A fundamentally different business.

Three years ago in PGM Services, we were suffering from old refineries that were clogging up working capital, preventing us in our ability to generate cash. By the time this deal closes, we'll be commissioning our new world-class refinery that will allow us a step change in cash generation. This is a fundamentally different JM going forward than it was three years ago. So the rest of JM has a fantastic future, and we'll talk about that as we go through.

The key point is we're incredibly value-focused now going forward, and now we're able to promise cash returns, which we couldn't in the past. And Richard is going to expand on this extensively; what gives us the confidence in this and the confidence to be able to commit to delivering materially enhanced shareholder returns.

Sale of Catalyst Technologies for £1.8 billion

So a quick backdrop on the deal. As you've seen, a very big deal, £1.8 billion. If you looked at the market cap yesterday this is about 80% of the market cap for less than 20% of the business. This is quite a compelling valuation.

You can look at it from a multiple point of view in different ways. We look at it originally from a reported EBITDA point of view. We come to 15 times. We have agreed with Honeywell on a stand-alone basis, if you add in additional cost, we'd say 13 times. And Honeywell will have another multiple based on synergies and taxes as well. Either way it's a great multiple for this business, particularly if you compare with the multiple of Johnson Matthey today. This is a tremendous valuation.

Net sale proceeds. So of the £1.8 billion, £200 million will go in tax and advisory costs and other elements. Of that net £1.6 billion, we'll be returning £1.4 billion to shareholders. Based on yesterday's share price of about £14, that's £8 a share that will be going back to shareholders. We have a new, and Richard will expand on this, a new debt/leverage ratio of 1.0 to 1.5 times, within which we'll be comfortably within.

This is, of course subject to regulatory approval. There is almost no overlap between the two businesses, so we expect this to be relatively straightforward, but that's for the regulatory authorities to opine on. We expect it to close in the first half of the calendar year 2026. So until then, of course Catalyst Technologies remains a part of Johnson Matthey, and Johnson Matthey and Honeywell remain competitors. So we will run the businesses separately, but we would expect to close and have that transition then completed in the first half of next year.

The new JM will be a highly focused, lean and agile business

Then the remainder of JM, as already outlined, the focus here is going to be on our core competencies. Those of you who were around in 2022 will remember that I spoke extensively about the need for Johnson Matthey to focus on where we're really good and do it really well and not get distracted by lots of other things.

Where we're world champions, clearly, platinum group metals. That's where we will remain world champions. With our new refinery coming on tap, this opens up entirely new possibilities for Johnson Matthey. And Clean Air, as I already outlined, has made really tremendous progress in the past three years. It's a different business than it was three years ago. And going forward, we have a lot of confidence that it's going to be even stronger.

We'll talk a little bit about pockets of growth optionality that we have in the business. But the main message is here, we have much stronger PGM Services and Clean Air businesses going forward, which will drive a tremendous step change in our ability to generate cash and to commit to cash returns for investors. So beyond, let's say the £1.4 billion that will go back to shareholders as a result of this deal, what we are committing to, and Richard will expand on this, is at least £200 million in cash returns sustainably every year from 2026/27 onwards. So that is a firm commitment going forward and I think an important part of our overall JM narrative going forward.

What JM will deliver by 2027/28

So what can you expect by 2027/28? If we look at pro-forma 2027/28, we won't have Catalyst Technologies. What you can expect is mid-single digit CAGR in the pro-forma operating profit. What you can expect is that we'll be generating sustainable free cash flow of at least £250 million. And as I just as alluded to, we'll be returning at least £200 million a year sustainably to shareholders from 2026/27 onwards.

So that's the headline news of what we want to announce today. And now Richard is going to take you through the past year and it maybe got a little bit lost in the excitement of the announcement of the sale of Catalyst Technologies, but despite some concerns at half year, I'm really pleased the team dug in and ensured that we achieved our guidance for the full year. We actually had a really strong second half, which gives us great momentum.

And to elaborate further on that, I'll hand over to Richard. Richard, over to you.

Financial results

Richard Pike
CFO, Johnson Matthey

Good morning, everybody, and thanks, Liam, for that.

So as Liam said, I'm sure you're much more excited about the going forward position rather than looking backwards. But I think there's some really important points in here in terms of the year that we just ended, and particularly in the second half, in terms of our momentum as a business. I'll look to try and draw that out as I take you through the slides.

Full year results highlights

Just touching on the highlights. A difficult backdrop, particularly in automotive. Sales are down like-for-like 2%, virtually all of that is in Clean Air. But despite that, our underlying operating profit was still up 5%, primarily as a result of self-help measures.

If you look at our free cash flow, strong free cash flow, but a lot of that came from the disposal of the Medical Devices business. But nevertheless, we actually did generate positive free cash flow for the year as a whole. And I'll come back to the first half on second half, because if you look at the swing from the first half to second half, we generated a £400 million improvement in cash flow from, sequentially, from half one to half two.

We have got quite a lot of one-off items in our numbers this year, and I'll come back to that in a slide just to explain why and what they are.

Our net debt is down to £799 million, so pretty comfortable 1.4 times leverage. And that's after returning just under £400 million to shareholders during the year. I can confirm that we've now completed our £250 million share buyback, and also yesterday, as a Board, confirmed, maintained the dividend at 77p, which is £130 million of dividends for the year as a whole.

Underlying results

I'm not going to labour the P&L because actually, I'll cover most of the things in the highlights or in the detail that we'll come back to in the next few slides. So I'll move us straight to sales.

Sales down 2% in a challenging market

So you can see here the detail. As I mentioned, we've had an 8% decline in Clean Air. Most other areas of the business have moved forward.

Clean Air, basically, that's a function of the global automotive production environment. So I don't think there's any surprises there. You can see in our RNS a bit more of a breakdown between the various subsegments and geographies.

In PGM Services, we had a strong second half, as Liam said, particularly on the refining side, which has driven us forward in that regard.

Catalyst Technologies, I mean under Maurits' leadership, we've got a stellar record, as Liam said, in terms of the last three years. This year is another continuum in that vein – strong licensing revenue growth, and actually strong catalyst growth as well as a result of new customer plants coming online.

And hydrogen has gone backwards, and we all know where the hydrogen market is. And a lot of this was first half weighted as a result of destocking in the electrolyser area.

Growth in underlying operating profit

Moving on to profit. Again I'm going to focus quite a bit on the second half.

Clean Air, as Liam said, both improved, as we normally do, first half to second half because of seasonality, but more importantly, 13.2% margin in Clean Air in the second half. You'll see from the RNS the revenue breakdown by sector. So Clean Air sales went backwards in the second half similar to the first half, but obviously increased profits quite substantially. That's all about focusing on operational improvement, commercial excellence, getting our overheads down – all of the things you'd expect in this type of business. I think we've got a real drumbeat of activity there that positions us well for going forward.

PGM Services, you can see that we nearly doubled the profitability in the second half. I think as Liam said, there was a bit of nervousness at the half in terms of whether or not we can actually do that. So I think there's been a really good focus in the business in terms of delivery on that number.

Catalyst Technologies, although slightly down in the second half, we're actually up in the second half versus last year as a result of the momentum in the business.

And hydrogen, very important, I think you can see here halving the run rate of our losses in the second half. And against our promise that we'll get to a breakeven position in the final quarter of this year, we're moving in the right direction.

Operating profit benefiting from transformation

If I then come to the profit bridge and explain why and underneath those headlines by sector, what is it that's driving it? In very simple terms, you can see here, if you go to the £381 million number – our underlying profitability for last year, when you strip out the divestments – and compare it with £399m – basically our outcome for this year before FX. You've had about £60 million of headwinds – automotive volumes, a little bit of metal pricing pressure, mix overall and, obviously some degree of inflation – but we've more than offset all of that through our cost reductions under the transformation programme. And that, I think again, coming back to my point about reasons to believe, gives us that drumbeat of activity and the ability to build on this as we go forward is really important for us.

Exceptional items

I said I'd come back to the non-underlying items. So firstly, a large exceptional gain in terms of Medical Device Components. We sold that business for around £550 million and generated a £491 million profit. So a large element of our numbers, large value creation from that area.

But equally, we have – because of where the markets are – we've had to basically take some write-downs. So for the reasons we've previously talked about in terms of hydrogen, our profitability forecasts have moved to the right. When you look at accounting standards – international accounting standard 36 – if your profitability doesn't generate sufficient levels within a defined timeframe, you have to take impairments on the assets and that's what's going on here with hydrogen. So we have a couple of hundred million tied up in hydrogen. We've written off just over half of that balance in the year. That's in no way indicative of our actual belief in this business going forward. We think there is optionality here, there's great growth options. When the market comes back, we've now laid down the assets to actually take advantage of that. Unfortunately, that market isn't there today and hence this impairment.

We have then had other impairments. So in China, in particular, we've impaired our China refinery. That's partly because the market has changed over the last couple of years in terms of the competitive environment. And partly, it's linked to hydrogen, because a large part of that capacity was actually there to underpin the growth in the hydrogen market which just isn't there today. Clean Air as an ongoing, not only have we been driving operational improvement, but we've also been looking at our footprint. We've taken out now 20% of our lines over the past year and hence there's a write-down of some of those assets. We've also had some degree of write-down in IT.

The restructuring, most of the restructuring charges are linked to our transformation programme. £70-odd million of that is people costs associated with the £200 million run rate moving forward.

Strong balance sheet

Moving to cash. I think there's a couple of things to draw out here. Firstly, there's an ongoing theme from shareholders with JM – you generate cash, but where does it go? And there's a bit of that here. We've generated £572 million of EBITDA. Then we've driven another near £90 million out of working capital in the year. But actually, it's been eaten up in capex, interest and primarily restructuring costs and pension contributions.

So when I look forward, you'll hear me talking about these areas. How are we going to actually make sure that we're driving more profit? How do we actually change this capex number? How do we actually get working capital move in a different place? So that actually, we are generating positive cash flow year-on-year. Capex, in particular, we spent £1.25 billion on capex over the last four years. If you look at our return on capital, it's not high enough. So all these things are a real focus for the business.

Positive, though, I mean as I mentioned, the disposal of Medical Devices business, really positive for cash flow, and we've returned nearly £400 million of that to shareholders during the year.

Free cash flow up materially half-on-half

This is the point I mentioned earlier in terms of the swinging in terms of cash flow. And I think this is a really important point, as well as the drivers of profitability. But cash outflow in the first half, which in part was to do with our maintenance shutdowns in PGM Services. That swing, I think is indicative of actually a shift in focus in the business towards cash. And actually, you're going to see that as a continuing theme as we move forward.

Summary: full year results in line with guidance and market expectations

So to move on to this year, where are we seeing things?

So if I talk about like-for-like, put tariffs to one side for a second, basically, we've delivered 120 basis points of margin improvement in Clean Air. That's moving us in the right direction. As Liam said, we see ourselves moving forward towards 14 to 15% margins in the coming year. And actually, we've generated a further £400 million of free cash flow from Clean Air. That's now cumulatively £2.4 billion. And this ongoing drumbeat of improvement activity and underlying profitability is what gives us that belief to generate the at least £4.5 billion that we promised over the period to 2030/31.

Key focus area in PGM Services, Louise coming relatively new into role, is getting this refinery built. It's fundamental. It's at the core of our business. It’s at the core of our wider business, not just PGMS. We've got another 12 months or so of build, but we expect to move into the commissioning phase by the end of this year and then to get through commissioning during the first half of next year. And we've got real confidence in that as well and Liam will come back to our reasons to believe around that. But actually, I think we're in pretty good shape.

What more can I say about Catalyst Technologies? I mean at end of the day, the performance we've had, ultimately, has led to a situation whereby it's become a really attractive asset. I think the value we've achieved for that business is very strong for JM. And we think that's a great home for the business going forward. It will be part of a broader business in a similar space and a much bigger group. We think Maurits and the team are going to enjoy that new home, once we get there because it will be part of the group for most of this current year.

And hydrogen, as I mentioned, the halving of losses during the second half. This puts us in the right shape to be moving forward towards our breakeven position.

So I'm going to now hand back to Liam. Then when Liam has taken you through the key areas, I'll come back on actually what does that mean going forward in terms of the financial position for the group.

Strategy update

Liam Condon

Great. Thanks a lot, Richard. It's hard to imagine that Richard has only been with us for a couple of months. It feels like three years. I'm not sure if Richard sleeps, but if he does, I'm convinced he dreams of costs, cash and capex. It's great to have him on board to help sharpen our financial profile.

The new JM will be a highly focused, lean and agile business

So the question we come back to now: is there a life for JM without Catalyst Technologies? And what I'll put forward here now is we have a fantastic future for JM, again built around our core competencies of where we are really strong as a company already today: leading market shares, big moat, and I'll talk about our ability to further improve performance going forward. So you've seen this, but what's important beyond our ability to improve performance is the step change in cash generation that's going to be possible. When Richard comes back, he'll elaborate on the levers and the proof points that we see to enable that.

Leading global businesses

So if we look at the new JM, this is pro-forma, basically, what you would get. It's about £2.8 billion sales, roughly £300 million in operating profit and an operating margin of 10.7%.

As I mentioned, it's based around our core of PGMS and Clean Air, where we have absolute leading market positions in all the spaces that we play in today. So that's the fundamental proposition. I'm going to go through each one.

Clean Air: leading in autocatalyst markets

First, take Clean Air. A little bit of backdrop. I think the most important thing here is if you look at our overall sales, the operating margin I mentioned started in 2022/23 at 8.7%. We're now at 11.8%, expecting 14 to 15% this year and, going forward, even stronger again.

We are the kings of diesel. It's about 80% of our portfolio. The area where we have the highest market share by far is heavy-duty. That is the area, of course, that has the longest longevity in the market, regardless of whatever the pace of electrification is going to be. So our ambition is to maintain our really strong position today but to significantly grow margin going forward.

Clean Air: serving a more durable market

Now if you step back and look at the overall market, yes, Clean Air is kind of looked at as a sunset industry. I've got to tell you, that sunset is a long, long, long way away. If we look at the forecasts that have changed in the past three years, you can see there's incredible longevity in the business. If we compare the most recent automotive volume forecast going forward versus 2022, you can see actually an additional 19 million light-duty ICE (internal combustion engine) vehicles between 2027 and 2034. That is a huge uplift versus what the original forecast was, so great longevity.

What we can see as well is that the winning segment in the market today is actually hybrids, as a kind of a halfway between an ICE and a full electric vehicle. That's a space where we're winning market share. That's a space where, of course, you require an emissions control system, so this is good news for us. I already mentioned heavy-duty, really strong position for us. And legislation will continue to play an important role in different geographies. Everybody wants cleaner air, and that is going to help as well going forward.

So overall, the market looks like it will have a lot more longevity than originally forecast, and this is an important backdrop for us.

Clean Air: capturing value with lasting OEM partnerships

Now our strategy within this is to maintain our really high market shares in heavy-duty and light-duty diesel, and to selectively gain market share in light-duty gasoline, and selectively means profitable market share. So this is a very specific target orf our business. Our win rates are exceptionally high on the diesel side and have been significantly improving on the light-duty gasoline side. Our win rate today has gone up to about 50%. So this is very encouraging for the go-forward profile of JM.

We're prioritising key long-term partnerships. So we've done an extensive assessment about who we think the winners of the future will be, and we're aligning with them and ensuring we have strategic partnerships in place. Whether that means helping them from a technology co-development point of view, because a lot of OEMs have actually outsourced or downgraded their technology departments and they actually need more support going forward – we can do that for them. Some of them are looking for manufacturing capacity commitments going forward – security of supply is hugely important. We can make those for our long-term strategic partners. So this is a clear strategy going forward.

Where I think that the team has done a fantastic job and another proof point in the current environment, which is really challenging for automotive. We've been improving our margin, our profitability. Our customer Net Promoter Score, so the valuation of customers of us, has jumped up significantly. So this is a really strong proof point of how well we're doing on the commercialisation side with Clean Air.

We expect for this business over £2 billion by 2027/28 in sales. Of that, 90% has already been won. So this is a humming business versus where it was three years ago.

Clean Air: driving further efficiency

I spoke about driving the margin further. We have multiple levers for that. On the operational excellence side, we're adjusting, particularly our overheads, SG&A. We're also adjusting R&D. There's multiple areas where we can still improve further.
We're optimising the manufacturing footprint. We've come from 16 to 11 plants. We halved the number of lines we have. That journey will continue over time and that gives us great opportunity to continuously improve the margin. And we're reducing capex further. This is going down to a capex-to-depreciation ratio of about 0.5.

So all of this will contribute to a significant margin uplift. And again look at the trajectory we've been on 8.7% to 11.8% now, towards mid-teens at the end of this year, up to 16 to 18% by 2027/28. This is new, this ambition. I'd say if we came out with this three years ago, people would have laughed if you start at 8.7%. Look at the proof points along the way, this is something this team can deliver.

Clean Air: driving margin improvement to 16-18% by 2027/28

And this just breaks down that margin improvement where it's happening, where it's coming from, the proof points of the past and where it will come from in the future. And it's particularly, there's a lot of room on the overhead side for us to squeeze out more here. And if you think of the new JM without CT, of course we're going to have an even more efficient overall setup, and Clean Air will benefit from that as well.

Clean Air: what this business will deliver by 2027/28

So what will this business give you by 2027/28? We will remain the kings of diesel and maintain our number one position. We'll selectively grow our share in light-duty gasoline with a strong focus on hybrids. We'll continue on the efficiency path, where we still have plenty of opportunity to improve further. And as mentioned, sales of over £2 billion and a margin of 16 to 18% by 2027/28. That is, again a commitment from our side.

And this will continue going forward. This business has incredible longevity. There will be enormous cash flows going into the future as well. So this is just the outlook to 2027/28 to underline how strong this business is today versus actually an 8.7% margin business that was actually declining in 2022.

PGM Services: a world leader in PGMs

So on to PGMS, which I've always classified as the foundational business of Johnson Matthey. If you go back to 200-plus years of history, this is really where it started. There is nobody in the world who understands the chemistry and catalysis of platinum group metals like Johnson Matthey. We have a world-class research and development center in Sonning. Every time we bring our customers there, they're blown away by the capabilities of our people, what we can do, the new applications we're constantly working on. This is really a treasure trove for JM. This business has developed in multiple forms over many decades and literally hundreds of years, and we'll continue to grow in the future, and I'll outline that going forward.

There's three parts to the business. We manufacture catalysts. We recycle – we're the world's biggest recycler, secondary recycler of platinum group metals. And we have a trading business – we manage precious metals on behalf of our customers. Very high operating margin in this business.

PGM Services: creating value for customers and JM

If you step back and say what's going to drive the top line for this business going forward, like why would this grow because it has been dependent to a large degree also on automotive, on ICEs? If ICEs decline over time, will this business grow? We believe, absolutely, yes, it will. First, it will take a long time for ICEs to decline. Second, there is a lot of new, higher value applications for PGMs, for example, in the life science technology space, catalysts for pharmaceuticals, for agrochemicals. There's a multitude of areas: defense users, aerospace, wind turbines, for the production of sustainable aviation fuel you can use PGMs. There is no limit to the possibilities for PGMs. The limiting factor has typically rather been supply, as opposed to our ability to find new applications. So lots to look forward to here.

Then on the recycling side, about 50% of the global PGM supply comes from mines, it's dug out of the earth every year. Most of what we do is actually recycled product. We are, at the end of the day, a sustainability company. What we do is constantly recycle precious metals. We're like an aboveground mine, serving the world. We ensure that we have maximum efficiency with this recycled product. Of course, exceptionally low carbon footprint, much lower cost than primary mining. Over time it is expected that supply will reduce from primary mines just due to cost, sometimes also environmental pressures, and demand for recycled product will increase.

We expect, and I'll touch on this, sales, just to give you a benchmark of about £450 million by 2027/28 for this business.

PGM Services: focused on operational resilience and efficiency

The recycling piece, which I just referred to, is really important for us because it's part of our overall circular business model. We manufacture product, we recycle it, we trade the metals, we manage the metals. That's a full value proposition for customers. That's what differentiates us from others because we have that full value proposition.

Our issue is we have a really old massive chemistry kit in Royston. It's a really old refinery, has served us very well for about 60 years, but it's at its end of life. It's prone to breakdowns. We get working capital backlogs, buildups, and that prevents us from churning out as much cash as we should. That has been a real issue for us as it's gotten older. And of course, every year that goes by, it gets older and the propensity of the refinery to suffer from backlogs just increases with time.

So we've invested significantly. Our biggest capex investment ever has actually been in building a new world-class refinery to replace this asset. If I compare with three years ago, we were three years away from it, now we're looking at this going into commissioning end of the year, beginning of next year. So as the Catalyst Technologies deal closes, we will be commissioning this new world-class refinery, which is one of the key elements that will allow us a step change in cash generation. So this is what I mean when I say JM is in a fundamentally different position than three years ago, in a much stronger position going forward.

With this new refinery, we've got the best of JM making sure that the commissioning is going to work in a very successful manner. It's a big capex project, and there's always some teething issues with big capex projects. But we have the current refinery ongoing until the new one is up and running. So we're completely mitigated from a supply point of view. We have all our expert teams on it. And we don't necessarily have new processes. It's just a new build, but we're taking extensive care and not avoiding any necessary investment to make sure that the start-up of this is as successful as possible. So huge effort going in here. It's on time and it's on budget as we speak now. We would expect it then to be operational by end of 2026/27.

PGM Services: transforming our refining capabilities

The benefits of this new refinery are enormous. It's of course a much more efficient plant. We can take in higher volumes. We can deal much better with peak volumes. We'll have safety and sustainability benefits. And of course we'll have clear working capital benefits as well. So a lot to look forward to with this new plant.

And one thing that's not to be underestimated, this is our biggest capex investment ever. That capex is then done over the next 12 months. Then our capex spend, and Richard will elaborate on this, our capex spend comes down significantly because we've made the investments we need to make, and this is also part of the cash generation story. One of the key elements as to why you will see a significant uptick in cash generation going forward.

PGM Services: transitioning our business to drive growth

This just to briefly explain how we will be transitioning from the old to the new refinery, and we want to be clear about this.

If you look at where we are today, the next one to two years, as we go into that commissioning phase, we will have, for a small portion of time, we will have some additional cost, of course because we're running the old refinery and we're starting up the new refinery at the same time, which is absolutely in everyone's interest because we need to ensure supply security for the world, for our customers. So we will have some additional cost for a period of time. We'll have lower metal recoveries in that period. And although we'll have lower operational costs, we will start to have depreciation kicking in from 2026/27, which, of course you don't have in a 60-year-old plant. So we have a transition phase of one to two years, which will impact the underlying profitability of PGMS.

But then going forward, what you have is a new world-class refinery. Complete new solid foundation for JM going forward, where we'll be growing the refining volumes. As I said, as I alluded to earlier, based also on market growth, we'll be growing our position in high-value products. So the mix will change over time. We have that fully circular business proposition that is really important for a lot of our customers. And all the benefits that I alluded to with the new refinery. And ultimately, that will be driving growth over time.

So there's a period in between where we just need to manage carefully, but that's already baked into the JM overall outlook that I gave you of mid-single-digit underlying OP CAGR by 2027/28. So just to flag that openly where we see that.

PGM Services: what this business will deliver by 2027/28

What can you expect from PGMS going forward? Our position as the world champion in this space will only be strengthened with the new refinery. You can expect sales of around £450 million and a margin of around 30% in 2027/28. And very strong cash conversion, which is not something we have seen due to the old refinery from PGMS. Now going forward, you will start to see that cash conversion. So a lot to look forward to with the PGM business.

Growth optionality from existing assets across the group

Now I don't want to hide this because we believe we've got an incredibly strong core, but it would also be remiss of me not to highlight that there are significant growth elements within Johnson Matthey, which I would argue are basically for free in the stock today because none of it is in the valuation of the stock.

Within Clean Air Solutions, where basically our core competence is in emission control systems, we do have new uses, new applications. Whether it's hydrogen internal combustion engine trucks that require an emissions control system. Whether it's for diesel generators as backup power for data centers – they all require an emissions control system. This is actually a really nicely growing business for us today. There's shipping. There are plenty of opportunities here that are embedded within Clean Air today beyond the pure automotive ICE business. That's something that we are quietly driving.

PGM Products, I already mentioned too. We see a shift towards higher value, so over time towards higher value products. And Hydrogen Technologies, as Richard already mentioned, we've made the investments, we have a production facility ready to go. We have signed new collaboration agreements, for example very recently with Bosch. As the market picks up, we will grow. We don't need additional investment to grow.

And what these three areas have in common is they're all based on core competencies, they all leverage core technology of JM and they all use existing capex. These do not require new capex. So this basically gives us great additional growth optionality without necessarily having to put capex behind it. So there is, in addition to the very strong core that we have, this growth optionality baked into the portfolio already today.

Building a lean, focused and agile organisation

Just before I wrap up on milestones, one point. The overall organisation as we go forward, the transition now with CT gives us another opportunity to sharpen the edge of the organisation even more.

I spoke a lot about improving the commercial muscle. You've seen that in Clean Air. You've seen it in CT, how we've been improving. If we take CT out of the company, we'll have stranded costs. And for sure, we can afford then to rightsize the organisation further and make sure it's fit for purpose. There, again very happy we have Richard on board, who is going to help us a lot with a zero-based budgeting approach, making sure we're best in cost. And basically also aligning our incentives from a management point of view where, traditionally, we've been focused on underlying OP as a key kind of KPI for us to measure performance. That will continue. But going forward, we'll have a much stronger emphasis on the cash component and on ROCE as well. So we're aligning incentives there to make sure that this also fits exactly with shareholder interest.

Refreshed milestones to 2027/28

And the final piece from me before I hand over to Richard to explain how this translates into financial outcomes, we have new milestones. Again, take the milestones as commitments from our side. Take them also as proof points along the journey, beyond the pure financials that we'll be reporting every half year. This will tell you, are we strategically on track or not?

There are financial nature, operational nature and of course of a sustainability nature as well, whether it's safety or our own emissions or employee engagement because that's hugely important for us overall as a company also, particularly for all of our employees as well. So you can take these as our milestones going forward that we'll report back on transparently as we proceed through the year.

So with that, I'll now hand over to Richard, who's going to take you through the financial outcomes of the strategy that I've just presented. Over to you, Richard.

Financial outcomes

Richard Pike

Thanks again, Liam. Just before I jump into the financials, I just thought I'd just take a couple of minutes to explain why I came here. If you look at my background, I've spent the majority of it in internationally diverse, primarily manufacturing underpinned businesses. I enjoy this environment because in businesses that make lots of items of similar nature, there's always opportunity to drive process improvement and underlying efficiency and help the business be better.

And when I looked at Johnson Matthey from the outside, and before I spent quite a bit of time with Liam, I looked at it and thought, considering the market positions that we've got both in PGM Services and Clean Air, we don't seem to make the sort of margins I expect us to make. If I look at basically how we deployed our capital, the return on capital level looks too low to me. Then when you unpick it further, I think Liam has talked about where we've come from over the last three years, I think we've made some great strides, but we're still in a relative infancy of actually our improvement activity. So I think that's interesting. That's where I started.

Inevitably, over the last three months, I've been reasonably busy helping the team on this deal. But I have actually got myself out and about. I've not been distracting the CT business by being out and about because they've been quite busy. But I've been to pretty much most of our European plants across all the other areas of the business. And the reason I've done that is, one, I'd like to see where we are in terms of actually what's our housekeeping like, what's our safety record like, what's our continuous improvement mindset like, because those are the things that actually drive profitability. If you can see that mindset, how can we be better and are we doing it every day? Those are the things at the heart of our business.

I see lots of reasons to believe here. We've got lots and lots of very bright, very inquisitive people who want to do a good job. We've got the assets laid down to actually position ourselves well to face into the markets. But we've still got a lot of opportunity to improve. So I'll come on and build on that in terms of where we see that improvement and why I believe that we've got a solid plan here for moving forward.

Focused on driving cash

Just capturing really the main areas of things that Liam talked to.

Improving Clean Air margin is going to be important, first cornerstone. And Anish, as I said, he's got that drumbeat going. We're not only just driving operating improvement, but we've got some real commercial muscle in terms of how we face in to the inevitable price downs that you get from automotive customers, and I see some real momentum there.

Louise has got the team very, very focused on getting this refinery built. Then, fundamentally important, commissioned well. Because quite often in these large multi-year builds, what you see is that even though you've got all the right components, when you put it all together, it doesn't quite work just as you expect it to. So actually, and as we've got -- there's nothing in this refinery that hasn't been done before, but this is quite unique in terms of the way we're doing it. And moving from batch plant operations to continuous is quite innovative and will actually step change. So we’ve just got to make sure it works.

Liam has talked about the overhead side of things. Anish has already got a programme underway and announced within the business. This will drive about £35 million of overhead reduction in the year. That's actually one of the key things that will help drive further improvement this year, with more to come beyond. Over and above that, the different multiples that Liam talked to around the CT disposal and the run rate of EBITDA, there's about £17 million of stranded costs – the costs that we charge from the group into the business today – that isn't going with the business. So that will be an area of cost that we take out. Then more broadly, as Liam said, as we right-size the organisation to where we're going, there will be other areas of activity where we need to be more efficient, and we're getting on with that activity now.

Then I touched before on capital investment, I think there's a big opportunity here for us. Yes, we need to get a refinery built over the next 18 months, but then we've got huge opportunity to actually do the right things, for the right amount, at the right time. And working capital, I'll come back to as well because over and above the benefits we'll get from the refinery, there's quite a lot more opportunity in JM.

Capex reducing materially

So capex first. This is just quite stark, as I said. We spent, including up to 2024/25, we spent £1.25 billion, so over £300 million a year.

We're spending slightly above that level at the moment because of the intensive amount of activity in Royston. As we move into next year, that starts to come down because you move into the commissioning phase. But then as you move into

2026/27 and 2027/28, we're really moving to a period whereby we've got brand-new asset in PGMS, and actually, we're moving back down towards depreciation levels.

Clean Air, actually, has the footprint it needs. Yes, we need to maintain those assets, but we certainly don't need to be spending significant amounts of money – we think around half of depreciation is about the right level for that. And we've already promised that we won't spend more than £5 million a year in HT.

So you get into levels that are really at or below depreciation. And that won't just be maintenance spend, there's still quite a bit of opportunity here to actually spend money on process improvement. So we'll be actually doing that in areas where there's short payback and operationally enhancing opportunities. So that's the first area.

Delivering material working capital benefits

Working capital, you might think well surely working capital is easy. There's a lot of working capital in JM. Part is a structural piece, so to a certain extent, because we trade metals, our actual sales are much higher than basically our sales excluding precious metals. That drives working capital to a degree. And hence, we need efficient refineries to actually work through that working capital. If you don't, it can build up quite quickly. But by getting that refinery built, we will actually drive that working capital down.

Over and above that, though, if you look at all areas of the working capital in the business, there's actually inefficiency in JM. So I'll just give you some examples because they are actually really quite simple examples, which will bring it to life. There's more complicated stuff as well.

But on the whole, across Clean Air, much as we do great things across the piece, on average, we're paid 20 days later than terms across our customer base. Across the whole of the group, because we actually have standards to pay people on time and people want to do that, in a lot of cases we pay people earlier than actually they're entitled to be paid. And there's no need to do that. That's partly to do with payment runs and just approach. If I look to the payables side, our top 200 indirect suppliers, the average terms are 31 days, that's very low. I'd expect those to be 45 to 60 days in any business. On the inventory side, there’s more complexity on inventory – we've got a lot of sites, we've got various cross businesses and things. But we don't have as solid a sales and operational planning process as I’d expect us to have. By fixing that, we will actually drive a lot of reduction in inventory over time.

So those are just – I mean there's lots of examples I can give you – but those are just something to try and bring it to life a little bit as to why we see opportunity. In this area, we've already driven down £90 million during the current year. I see, over and above that, another £250 million or more of opportunity over the next couple of years. That's quite important, I think, because in a period where we're spending more on capex during the current year and into next year, we can actually offset that by working capital improvement, so that more of the EBITDA that we generate turns into cash.

An inflection point for cash

So this is where we are. We've just generated £36 million free cash flow (ex-divestments). Yes, we haven't driven £250 million yet, but hopefully, I've given you the reasons around, actually: we can drive more cost out of the business; we can transition towards a much lower capex environment; in the meantime, we can also drive more working capital. Those are the main areas of belief for me, on top of the really strong base business that we have, as to why we can actually start generating this cash flow going forward.

Capital allocation priorities

Let me move on to – okay so if we generate this cash, what are we going to do with it? I think our priorities at the moment are, number one, let's get the Royston refinery built. Fundamental to the business, we need a very consistent, world-class facility there. That's going to be front-of-mind. And then we drop down to the capex levels of at or below depreciation that I described.

We expect to generate between now and 2027/28, free cash flow of north of £200 million to around about £250 million in 2027/28. That gives me belief that actually we can today, with all the things we've seen improving in the second half and all the opportunities there for us going forward, commit to delivering at least £200 million of shareholder returns from 2026/27 onwards. At the moment, we think that probably makes sense to be about half dividends, half capital returns. I mean obviously some of this will depend on how we return the monies from the CT disposal. That's likely to be, in part, special dividend with a share consolidation and part capital returns just because of the liquidity in our stock. So actually, flowing from that, it depends on how many shares in issue we have and what level dividend per share is, as to exactly what this mix is. At the moment, I'm not going to try and commit to an exact number because Liam and I want to talk to our shareholders about what do they need to hear. So we'll try and find the right mix that actually works for our owners in this context, but that’s sort of broadly where we're thinking.

And inorganic investment, what I don't want to do is give you an impression that we're going to generate this cash and suddenly rush out and go and spend a load of money on new things. We're going to focus on our core. For the next two years, we're very much going to focus on what's within our control. There's a lot more we can get out of the assets that we have laid down. If there is truly compelling opportunities, we wouldn't want to say we'll never do it ever. But we're not thinking about anything meaningful. There is bolt-on opportunity here. The next two years, they are very much about focusing on getting the things that I've just described really working well, and then giving ourselves the opportunity to grow further from there.

I skipped over the fact that we brought our leverage ratio down to 1.0 to 1.5 times. I think at this point in time there is uncertainty in the market. We generally operate between 1.0 to 1.5 times, if you look back over time anyway. I think right now that remains the right sort of level to be at. We'll return the £1.4 billion (to shareholders following the CT sale), that will leave us in that range. We'll kick off the cash, return more money to shareholders. If actually, after a couple of years, that means that we feel confident that we can return more, we'll look at that then. But for the next couple of years, I think this is the right leverage ratio for us.

Outlook for year ending 31st March 2026

Then coming back to the outlook, so a few things.

Firstly, we expect another year of progress in terms of underlying operating profit progression. So, despite the ongoing challenging market environment, we expect the things that actually are within our control to offset the things that are coming at us from the outside in a negative manner.

We are assuming a full year from CT. It won't necessarily play out like that, but basically, because it's all reliant on regulatory clearances, and we don't know when they'll come through, this is our base starting point. And as you'll see from ours and Honeywell's announcement, we're guiding that we expect the deal to happen in the first half of 2026.

Clean Air, we've already talked about. Anish – in terms of the activities he's driving through with the team, will deliver between 14 and 15% underlying operating profit margins this year. PGMS will go backwards. Basically, we've had quite a bit of metal recovery, as I mentioned, in the second half of this year. We don't expect to have the same amount in the current financial year and, therefore, there will be a slight step down. Hydrogen, as I said, basically, it's moving in the right direction. We'll still make a loss in this year, but as we exit the year, we'll be at profit breakeven in that business. And CT, basically, we expect to actually continue in the same vein. It's got some challenging targets, but for the last several years, we've delivered on it, and we're hoping -- it will be second half weighted, but we're expecting another good year again from CT.

Then over and above that, as we've touched on, there will be further overhead reduction to come out of the business. To the extent that we've got some external drivers that are putting us under pressure, we'll be using self-help measures to offset that.

What JM will deliver by 2027/28

So what does it do for us over time? It comes back to what Liam said.

If we do all the things I've just talked about, we'll be looking at a business that's generating north of £350 million of operating profit in three years' time. That basically, in terms of the pro-forma that Liam talked to before in terms of where, if you strip CT out, where we are at the end of 2024/25, is what we're looking at in terms of compound annual growth rate in profit.

That flows through to at least £250 million of free cash flow, underlying free cash flow, and on a sustainable basis. And that gives us the real conviction about being able to increase those shareholder returns on a continuous basis going forward.

And on that, I'll hand back to Liam again. Thank you.

Conclusion

Liam Condon

Great. Thanks a lot, Richard.

Accelerating value creation

So I appreciate that was an awful lot of information today, more than usual of course off the back of the CT sale agreement. But I hope you've gotten a sense for the fact that we have a really strong core business and a really keen ability now to move into a situation where we have a step change in cash generation, and that's going to benefit all of our shareholders.

So I'll leave it there, and we will gladly then enter the Q&A session and look forward to further interaction on that. So thanks a lot for your attention, and we can kick off now Martin, let's say dive straight in.

Q&A

Martin Dunwoodie: Thank you Liam, thank you Richard, for the presentation. We'll come to questions from the room, if there's a first question coming in. Let’s take the first question from Ken Rumph at Goodbody.

Kenneth Rumph (Goodbody): Thanks for the presentation and the outlook, obviously given a significant change. I'm going to ask a couple of questions concerning the deal and the group going forwards. Firstly, just why the time scale to completion that you've given? You mentioned regulatory approvals – are there any key ones that we should be aware of?

Secondly, on central costs, you mentioned £15 million of costs that are currently -- I think it's £15 million -- charged to Catalyst Technologies that you would aim to reduce. Where do you think the rest of the central cost figure ought to be and could go for the group going forward?

And finally, just in terms of -- you had, I think from a, at least from a management point of view, folded Hydrogen Technologies within Catalyst Technologies, and yet it's not being sold as part of the deal. What sort of drove that decision insofar you can speak for Honeywell obviously as well?

Liam Condon: Thanks a lot, Ken. So let me take the first and the third one, and the question on central cost and CT and how we think about stranded costs, maybe Richard, if you could take that that would be great.

So time scale to completion, the agreement with Honeywell is, the wording, is first half of calendar year 2026. There is a possibility that we're done by the end of this calendar year. It might be the first quarter, might even slip into the second quarter. It's completely dependent on regulatory approval. We expect the key regulatory authorities to be US, Europe and China. Given the fact that there is almost no overlap between the two businesses, we think this should be very straightforward, but we're just using what we think is kind of normal timelines for this type of deal. So there's nothing special to it, Ken, that's just the timeline, and it's been agreed with Honeywell as a reasonable timeframe.

Maybe I'll take your question on hydrogen as well and then hand over to Richard for the question on stranded costs. So hydrogen, we had basically restructured the business because the growth wasn't coming as originally forecast, and quite honestly, we had too much overhead. So what we did is, we folded the business into Clean Air, particularly because there's quite a bit of customer overlap. So for example, Bosch is a hugely important customer for us. We service Bosch primarily out of Clean Air, so there's a strong customer interface there. And basically, what we did was put Hydrogen Technologies under the leadership of Clean Air. We run it as a separate business, but it benefits from the overheads of Clean Air. So that's where it is in the business today.

Richard Pike: Then coming on to costs, Ken. So before recharges, the cost that we capture centrally are about £260 million – so in terms of finance, HR, R&D, IT, procurement, you name it, the sort of function of the go-across. And £15 million of that, part of that £260 million, we currently charge into CT as part of their overall recharge. And the rest of the cost, we spread across the businesses, apart from the £80-something million that we retain in the center.

But basically, there is opportunity across all the areas in the business. So some of it will be about process improvement. So although we've got JMGS (JM Global Solutions) in place, and that's actually allowed us to consolidate process, there's still further activity to drive to improve the end-to-end processes across the group, which by driving efficiency, will take costs down.

We're a smaller group, and we should just be smaller in terms of overhead in simple terms. There's less activity and, therefore, will be less people. But there isn't -- it's not one area. It will be across all areas of the business, and there it'll be about actually being more efficient, more lean and improving our systems and improving our processes and actually doing it in a more efficient way.

Martin Dunwoodie: Okay. Just check for any more questions in the room? We'll go to the web in that case. So a couple of questions on PGM and the refinery. First one is from Matthew Yates, Bank of America. On the new PGM refinery, are you still in the construction phase or has commissioning started? How are you managing this process to ensure a smooth switch over between the old and the new plants?

Liam Condon: Yes. Thanks a lot, Matthew. So we're still in the construction phase. We expect to go into the commissioning phase at the end of this year, calendar year, early next year. We have pilot-tested all the processes in another facility, refining facility, we have in the US. And we have said, what I mentioned earlier, the best of JM from an engineering point of view, working on this project. So all our top engineers are helping ensure that the commissioning will be successful. We also have external parties involved, of course, and we have a strict assurance process in place to make sure that this start-up is as clear and clean as possible. So I think I mentioned, we're not reducing any -- we're not trying to save any money on this part. We're actually doing everything possible to ensure that we can start up the new refinery as efficiently as possible.

And as I mentioned earlier, we will, in parallel, keep up the old refinery, and we will transition metal-by-metal. So we won't do everything from one day to the next in the new refinery. It will be a gradual start-up. We'll start with one metal stream, when that's up and running, we'll then move to the second one and the third one and the fourth and the fifth. So there's an extensive plan in place to make sure that the start-up process is as smooth as possible.

Richard Pike: If I touch on this as well certainly, in other businesses I've been in, a lot of the manufacturing businesses have been heavily capital-intensive businesses with similar types of assets to ours that you need to fill up in order to drive efficiency. Doing things over multi-years with these types of processes, one, you need processes that are proven – if you try and actually make a non-proven technology work, that's often where things go on wrong. These are all proven technologies. It's about how we join them together.

Secondly, it comes to, actually, do we have the right people doing the build and the actual interface between the capability on our side and the actual general contractor that we have working for us? Does that work? And I see a really strong relationship between our general contractor and our team. The guy who's running our programme used to work for a guy who used to work for me, one of our best guys, and I think he's a really competent individual. You've then got to do the interface in terms of as you hand it over from engineering over the wall into operations, does that work? So the commissioning phase is really very important, and we're very focused in that area.

Then there's operational readiness. Have we got the right people in place to do that? And Liam talked about the dual running. We've actually brought a lot of people in. We're transitioning people from the existing site. So we've got all the building blocks in place here. It doesn't mean nothing will possibly go wrong, but actually, we have contingency in place for that. So I think, certainly from what I'm seeing, we've got the building blocks in place to get this right.

Martin Dunwoodie: The next one, Geoff Haire from UBS. What is the cash impact of the new refinery in 2025/26 to 2027/28? And will there be any offsets to the drag on EBIT?

Liam Condon: Do you want to take that, Richard?

Richard Pike: Yes. So if you think about it in simple terms, basically, you've got a period from where we are today, over a couple of years, to come out the other side. And basically, you've got increased depreciation which will kick in from 2026/27. We've got slightly lower anticipated metal recoveries. And we've got a relatively challenging market environment. So those are the things where we're looking at a dip.

Then as we have it up and running, then it offsets through basically the depreciation being in the run rate. You've got cost efficiency in terms of a much, much more efficient refinery going forward. We've got 20% additional capacity in this refinery compared to our existing capability, so therefore they've got the ability to exploit new markets that Liam talked about. We will also get some degree of benefit as we decommission the existing refinery in terms of the metals that are in there. So there's a dip just from some of the things that come in.

I'm sorry, I meant to mention the dual running costs as well in terms of the old site and the new site. Then actually it’s coming out the other side as we get the new site up and running.

Martin Dunwoodie: Okay. Moving on to cash and current trading – a question from Chetan Udeshi from JP Morgan. Two questions. The first one, can you confirm if the £250 million free cash flow ex CT target is clean equity free cash flow, so that's after cash taxes, interest and restructuring costs? Then secondly, what are you seeing in your order book currently across the different businesses?

Richard Pike: I’ll take the first one. Yes, £250 million is clean free cash flow.

Liam Condon: Thanks, Richard. So on the order book, I'll maybe ask Anish to start on the Clean Air side, because I think that's where typically we have the highest visibility and the most interest. So maybe, Anish, if you could give some comments on what you're seeing from an order book point of view.

Anish Taneja: Yes. Thank you, Liam. Good morning everyone, also from my side. So on the order book for Clean Air, we had the biggest indicator that we can talk about already in the presentation. So for the commitments that we're giving, how much of that have you won already? So for the 2027/28 number, we have already won around 90% of that volume, which is above the target that we have, because it leaves only a small gap left for something that we can win in the next one or two years or where you have fluctuation in the business. So that looks quite well for Clean Air.

Three years ago, Liam implemented the Group Commercial Council, which I'm chairing since then. There, we also have a lot of conversations with the other businesses, so CT, PGMS and HT. On the HT order book, I would say that's also in line with our expectation for the numbers that we have presented. On PGMS, for example, there’s some strong activities going on in cross-selling right now and that's something that we've implemented. We've just recently had our very first one JM commercial conference where we brought all of our commercial people together, and I can tell you the opportunity to cross-sell, hunt and cross-fertilise between the businesses is huge. So we even believe that we can drive the order book further upwards during the years to come until our 2027/28 commitments.

Liam Condon: And if we maybe hand over to Louise for the PGM side, she's just come back from Platinum Week this week.

Louise Melikian: It’s been an exciting few days. On the Refining side, we see some growth coming through next year. And we're soft on Products this year, and Products is going to have a stronger growth next year. What we’re trying to focus on on the Products side, is to focus on the products that are high margin. So we saw a bit of softness this year, but the focus on the Products business is really going to be driving margins. And as Anish said, cross-selling is something that we're focusing on a lot more. The biggest benefactor of cross-selling within Johnson Matthey is PGMS. So we see a lot of growth coming from cross-selling next year as well.

Liam Condon: Thanks a lot, Louise. I was just talking to some customers at Platinum Week this week and particularly in the US, I think many of you are aware, we've had depressed recycling volumes for quite a while, basically since Covid. The sentiment was, and I don't have hard data and facts behind it, but there was a clear sentiment that recycling was starting to pick up. There was actually some optimism in some parties that there's a little known hidden bill in some of the Trump agenda that actually has a $10,000 tax credit if you purchase a new ICE vehicle, so kind of a cash for clunkers programme. And that is then an incentive not just to buy a new vehicle, but then to also scrap the old one, and I think we're starting to see some of that. So who knows how it will play out, but it was a noticeable different sentiment than what we've had in the last couple of years at Platinum Week as concerns US recycling volumes.

On the other businesses, CT is continuing on its trajectory, as we've continuously outlined, you've seen the success of progress there. And HT, we're very much focused here really on getting to breakeven. But what we're doing in parallel is ensuring that we sign new collaboration agreements. Again I mentioned Bosch. These are important because they give us line of sight to the future growth opportunity. They tie us in, and we don't see any impact from that in the P&L today, but these are agreements that then over time will kick in and benefit us. So it's more foundational work that's going on there, improving the cost base to make sure that we're at least breakeven, run rate breakeven at year-end, but setting ourselves up for the future with new collaboration agreements. So that's kind of a picture of where we are from an overall business point of view.

Martin Dunwoodie: Okay. Then next question is on shareholder returns. It's from Christopher Wright from Milton Capital. Would you consider doing a B share scheme for the return of capital to avoid dividend withholding tax?

Richard Pike: Good question, Chris. So look, yes, we'll consider it. I mean obviously B share schemes are less usual today. But I mean we'll consider all options from special dividends with share consolidation to share buybacks and things. We're going to spend the next few weeks talking to shareholders, and that'll certainly help inform us as to what the right way forward is here.

Martin Dunwoodie: Then the next one is on Clean Air Cash and PGMS working capital. It's from Jihad Jhaveri from Camissa Asset Management. First one, please could we get an update on the cumulative expected free cash flow for Clean Air long term, which I think is the £4.5 billion? Then the second one is, previously it was said that cash capex for the new refinery would be largely financed by working capital reduction there that will also be better free cash flow conversion in the business. What will capex to depreciation be in PGM Services longer term and its free cash flow conversion percentage?

Richard Pike: So a few bits of that. Basically, if we look at Clean Air, I think we've touched on in the presentation, but we've delivered £2.4 billion to date. We're not moving off our delivery target through to 2030/31 of £4.5 billion, so we're still confident around that. We also believe there will be much greater cash generation beyond 2030/31, but I think at the moment, we'll focus on getting to 2030/31 first. But if you look at the £400 million again we generated this year, all these things give us strong confidence in terms of those targets.

In terms of the free cash flow conversion, PGMS basically is a very profitable business. I haven't got the exact number of cash conversion in my head. But if you think about, it's a highly profitable business. If it's actually not spending much on capex – we're bringing it down to very much sort of depreciation levels – we'll have strong cash conversion in PGMS, as well as the other areas. So that is a cash drag at the moment, but all areas of the business will be cash generative as we move forward. That's very much the focus of our bonus targets, of our operating targets, and our monthly annual review cadence.

Liam Condon: Yes. I think just to add the key thing on PGMS really going forward is with the new refinery, we don't have those backlogs and working capital clog-ups, which then end up capturing cash. So there's a big benefit there. And as capex comes down, it's that dual benefit – you don't have the capex and you have a much more efficient refinery. That's really a key part of the puzzle that allows us a step change in cash generation going forward.

Martin Dunwoodie: Okay. We have another question on PGMS. It's come from Alex Savvides at Jupiter. Two questions. The first one on the PGMS guidance for the next couple of years, could you split the revenues into the three subdivisions for us and give a sense of the revenue growth profile for each? Then the second question is, do you have any comments on the demand-supply profile of the key PGMs and, therefore, your price expectations for them?

Richard Pike: Alex, there's a risk here of us actually having 15 reporting subsectors in the business. So I don’t think we’ll be breaking everything down into subsector and subsector. But I think we can talk to basically the drivers. Maybe, Louise, do you want to just talk to Refining to Chemicals to LST (Life Science Technologies)?

Liam Condon: Well I could maybe start, Louise, and then you chime in. So I think what we would -- so we're not, Alex, breaking down specifically the go-forward guidance per segment that we outlined. We can gladly do a follow-up on that. But what we would expect is the Product segment to be over time increasing. So that's going to be an important growth driver for us. And it's not just volume growth, it's mix. We'll have higher value products. So that's really a key component. And recycling, as demand for secondary recycling kicks in, with this new refinery we believe we'll be able to tap into that. So both of those will grow significantly.

And the third element, the trading business, is -- what we do is we trade, we buy and sell metals and manage metals on behalf of our customers. So if there's volatility in pricing, we will benefit from that volatility. But this isn't a business where you would typically -- where we'd have a, let's say a growth profile. This is a service that we provide for customers, but is a very profitable service for us. But what the trajectory will be will actually be very dependent on where metal prices are, and what the volatility of those metal prices are. That's kind of the way I’d classify it today.

And we just had a Platinum Week this week. I think you're all aware, basically, Johnson Matthey because we’re the global liquidity hub and have deeper insights than anybody in the world, our market research team basically supplies market research for the entire industry. Everybody goes to Platinum Week, attends the JM lunch, to learn from the JM market research team, where is the industry going, where is supply and demand going. And other companies actually pay for our market research reports. This is actually a profit centre for us today.

And the essence of this year's report was, by-and-large, and nearer-term, the five PGMs, the metals are largely in balance. There has been a bit of a squeeze on platinum. So platinum is actually has been deficit for a while, and you've seen that the price pick up recently. Over time going forward, you would expect palladium and rhodium demand from a volume point of view to be declining longer term until new use cases beyond the ICE are found. Platinum, ruthenium and iridium, we would actually expect demand to be increasing over time. So you've got a mix effect in there. That's all barring no new applications, but we do know there will be new applications. But I think the main message is, let's say in the near term, the metals are broadly in balance, and we don't foresee, let's say significant pricing volatility in the near term, barring market shock type situations. Louise, do you want to add anything?

Louise Melikian: So you covered the question pretty well. I think the additional guidance that I would give about the business itself is that if you think about growth, rather the growth in Products, it’s coming from the life science end market. So catalysts that are helping sort of progress cancer detection and treatment, is where, if you think about it from a growth perspective, that's where it's coming from.

Then in terms of margin, in refining, for example, with the new refinery over the next few years, we're going to process more capacity, but also we'll be able to process harder feeds. So we'll be able to not just take in auto volume, but actually look at more complicated industrial feeds so that our margins are higher. So this is the kind of guidance that I can give for three years.

Liam Condon: Thanks, Louise.

Martin Dunwoodie: Another question from Alex Savvides, Jupiter. It's on Clean Air, a couple of questions. The first one is the performance in HDD within Clean Air was disappointing this year. Can you please give us a little more color over the direction of travel over the next couple of years? Then secondly, overall, for Clean Air, what's the revenue expectation that gets you to the 16 to 18% margin target?

Liam Condon: Do you want to kick off, Anish, on that?

Anish Taneja: Yes. So on the HDD side, I would say it always depends in our business on two reasons. The first one how is the market developing in the different regions in the world, and the second one, how our customers are performing with their platforms and their products in that market. Sometimes you have a market declining in some regions of the world. We had in HDD the market decline. But sometimes, we are linked, especially with our huge share of market in HDD, we are sometimes confronted with customers who are losing on a platform, who are losing on a category. So there's mixed reasons why we had the situation of this year.

Generally, I would say looking forward on HDD, it's exactly what Liam presented, we have had in the last fiscal year a win rate of 100%. So that means that we are going to remain with our very high share of market in HDD. When the legislation gets more clearer in some areas of the world, combined with economical outlook being a bit better where fleets are ready to invest again, we will benefit from that strong share of market and the 100% win rate when that market comes back up. So that's definitely something I would have a rather positive outlook on.

Then generally, for Clean Air, looking forward, I think that was the second part of the question, if you can remind me again?

Martin Dunwoodie: Second part is looking forward, what's the revenue expectation that comes along with a 16 to 18% margin?

Liam Condon: That's, Anish, that's above £2 billion. So by 2027/28, above £2 billion, of which 90% you've already won.

Anish Taneja: Yes, exactly. So we had that in the presentation. The expectation is around £2 billion. I would say I'm pretty confident that this is the frame of where the business is going to remain. We have already won 90% of that business. So that's in the books. We have tenders out there that could technically take us above 100%. But even with our strength in commercial muscle, we're not going to win everything, but we win the most important ones and the profitable ones.

I would say generally, not only looking to the revenue outlook, but because the margin outlook that we have given here and that we're committing to is depending on what we really have within our control, and that's what we've said over the last three years. There has always been uncertainty in our business. There will be uncertainty in our business. But there's two things we can do: we can manage what we have in our control, and we can build an agile organisation that is quick and fast enough to react to what's going on out there. I think that's what we've done.

And if I can just call out one thing, I mean you've seen that we've reduced nearly 50% of our lines in the last three years. That is a huge transformation. But we've done that with the management team that we have in place now without any quality issue to any customer, with increasing our Net Promoter Score heavily over the last three years by more than 20 points and driving employee engagement in Clean Air up at the same time over the three years.

So I think you can see that this is a very good strategic approach where we have learned to execute rigorously against it, but also drive culture with the right mindset, spirit and behavior so that in a total, we can have that outcome. And that should be a good proof point that there's reasons to believe that we can deliver what we have called out today.

Martin Dunwoodie: Thanks, Anish. Back to cash, Christopher Wright from Brock Milton Capital, is £250 million sustainable free cash flow target including any net working capital realisation?

Richard Pike: No. So let me try and bridge for you from where we are. I mean not want to ignore Maurits, but Maurits won't be here in 2027/28, so it’s about everything else under Anish and Louise. Basically, for the reasons that Louise, Anish and Liam described, we believe from where we are today, through self-help measures – so operational, commercial, drumbeat activity, further overhead reduction – we believe we can drive our profitability forward from where we are today in our core businesses. That's not relying on a lot of external help. I think we've been reasonably conservative in our expectations around the growth environment. It's mainly about self-help.

In the next two years, i.e., 2025/26, 2026/27, there will still be elevated level of capex. That will then tail down by 2027/28 to the sort of more the £120 million level. During 2025/26, 2026/27, I see a significant amount of working capital help during those periods that bring us down to more normalised levels. Beyond that, you’d be back at more normalised levels. So you've got working capital improvement offsetting higher capex over the next couple of years, which underpins the cash flow of 2025/26, 2026/27. Then in 2027/28, more normalised profitability with ongoing drum beat, lower levels of capex, normalised levels of working capital i.e. no benefit from that period. So the £250 million is clean, if you like, in those terms.

Martin Dunwoodie: Thank you, Richard. Those are the questions from the web. We'll come back into the room. I think we've got another question in the room if we can.

Maurizio Carulli: Maurizio Carulli from Quilter Cheviot Investment Management. First of all, congratulations for the very successful sale of the Catalyst Tech business. Two questions, if I may. First, on refining, you gave very kindly some trends for the secondary refining volume growth. Is it possible to get the sense going forward of what difficulties or not, you may have in the procurement of the raw material for the refinery, the scrap, either in terms of regulations or in terms of complexity of the raw material?

And the second question is regarding the process of the Catalyst Tech sale, it's possible to get the sense, if you're allowed to say, of the amount of time that has been dedicated, a bit the timeline of the negotiation process, if possible, again.

Liam Condon: Sure. So maybe Louise will take the first one, Louise, that volume growth and procurement.

Louise Melikian: Sure. So on the refining side, there's really no issue with finding the feeds. Our autocat customers are long-term customers, so we have long-standing contracts with them. So that just sort of runs through and some of our customers whom I met with this week at Platinum Week, we've had a relationship for 30, 40 years. So that's all in place. There's no issue there.

We have also developed our commercial muscle a little bit more, just to counter the auto scrap volume softness, into going out trying to find industrial feed. That's where we're really applying our muscle and that's where we're actually proactively going and finding business. That business is higher volume, but it's also lumpy. So if there is any issue in terms of refining input, it's that we have to go out and find that business and that is lumpy. It's less controllable than the stable auto cat refining business that comes to us.

Liam Condon: Thanks, Louise. On the timeline, so we can't, I mean maybe somebody will leak it to The Financial Times, but I wouldn't give any confidential information. But what I can say is I personally have been talking to Honeywell for several years, and Honeywell has always has been interested in this business. They've always admired the work of Maurits and his team. But quite frankly, they originally weren't willing to pay what we thought it was worth, and I could understand because the business wasn't performing well. So the step change that's really happened is we've really stepped up performance – Maurits and the team has done a fantastic job. And with that, the, let's say the willingness of Honeywell to recognise the true value has become clearer as we delivered better results over time.

So it's been, let's say, on and off. This is a discussion process that takes quite some time, needs to be trust built between parties. Honeywell and JM have collaborated for years. There's great trust on both sides, and we will continue to collaborate going forward. We'll have supply agreements. JM will benefit from this deal beyond the £1.8 billion proceeds. So this is a great deal for JM. I think it will be great for the business, and I think it will be a good deal for Honeywell as well.

Richard Pike: I think I would say as well, if it just sounds like we've only ever talked to Honeywell, we've been approached lots of different parties. The Honeywell deal is the only time we've got our value expectations. That's why we've done this deal.

Martin Dunwoodie: Yes. Great. Well a good note to end on. So thank you very much everyone in the room and on the web for your interest. And hopefully we'll see many of you over the coming days and weeks. Thank you very much.