

Johnson Matthey Plc

Half year results for the six months ended 30th September 2025

20th November 2025

Agenda

Louise Curran

Head of Investor Relations, Johnson Matthey

Good morning, everyone. I'm Louise Curran, Head of Investor Relations at Johnson Matthey. And a very warm welcome this morning to our half year results presentation. Thank you everyone for coming along to the Andaz today, and a welcome to those joining on the webcast as well.

A little bit of admin before we start. If you could please turn your phones off or on to silent. And I'll point your attention to the cautionary statement.

I'm very pleased today to welcome Liam Condon, Chief Executive Officer, and Richard Pike, our Chief Financial Officer.

In terms of agenda, we'll follow the usual format. Liam will run you through an overview. Richard will then take you through the financial results. And then Liam will cover our strategic progress in the half. And we'll of course leave plenty of time at the end for Q&A, both in the room and then on the webcast. And with that, I'll hand over to Liam.

Overview

Liam Condon

CEO, Johnson Matthey

Thanks a lot, Louise. And a big congratulations to you on your new role. And big thanks also to your predecessor, Martin Dunwoodie, who's done great work for us.

A warm welcome to everybody here in the Andaz Hotel. I'm really happy there's so many people here so we can get some heat into the room because it was a very cold morning. And a warm welcome to everybody who is joining us online today.

Highlights

So I'm just going to hit some of the highlights of the half and then talk about some of the key priorities that we're working on that we're going to give you more color on throughout the presentation today.

So first of all, I think that the standout was the underlying operating performance increasing by 38% – an 11% increase in Clean Air and a 33% increase in Platinum Group Metal Services. So in the environment we're in, I think a very strong overall performance and a good indication of the progress we're making here.

Secondly, and Richard will talk extensively about this. You will see very good progress on our implementation of our new cash-focused business model. We had a significant cash outflow in the first half of last year. This time around, you will see a significant turnaround and a small inflow. So that's quite a big movement and there is a lot more to come in the second half and then, of course, in the subsequent years. And the building blocks behind that, Richard is going to talk to you about.

And the third point, which is very important as well, the sale of Catalyst Technologies to Honeywell is on track. We had said that will close in the first calendar half of '26, and that remains the case. And once we close that deal, as we said, we'll be returning £1.4 billion to shareholders upon closure.

A final point I'd make is we have made some announcements this morning around organisational changes. And I'll be talking a little bit about this later on, what the rationale behind that is. I'll make it clear for the purpose of today's presentation, Richard is in his CFO role only. When we get to the Q&A, you can gladly ask him about his motivation for the new role going forward. But first and foremost, it's the CFO role for today's presentation.

Good strategic momentum

So a few of the top priorities that we have for the next six months, for the full year, and then subsequently; and just the progress we're making around that.

I've already mentioned the sale of Catalyst Technologies, and we'll unpick that a little bit later on, so what still needs to happen. But here, we're fully on track for that closing in the first half of calendar '26.

Second one, we've spoken extensively about our ambition to significantly increase the margin of Clean Air. And here, you can see, again, very strong progress; a 200 basis point increase in the margin for Clean Air, an increase in absolute profitability. So despite declining volumes, this is a really strong performance and leaves us completely on track for our target of 14% to 15% margin by the full year this year. And with that on track for our ambition '27/28 of getting to basically 16% to 18% margin.

Very strong performance from Platinum Group Metals Services, with 33% increase in underlying operating profit. This was clearly helped also by platinum group metal pricing, the trading business, but it's also refining, which has been doing well. And it's also efficiencies, which is where we've simply been running the business more efficiently. So a strong underlying performance here.

Our new PGM refinery, which is a huge investment, and I think against the background of the importance of critical minerals, it's hard to underestimate how important this is, both for JM, I think the UK and globally. This is a world-class refining plant for platinum group metals that we're building in Royston – out beside Cambridge. This is on track to start commissioning by March of 2026.

It's a very big capital project. It's about £350 million capital expenditure here.

And we do have a small delay of a few months. But because we have our ongoing refinery, our old refinery, our 60-year refinery, still running in parallel, this has no impact on our guidance or our ability to deliver to our customers. So in the bigger context, it's a smaller delay, but important to flag it. But it's a few months.

On Hydrogen Technologies, we are on track. And again, this is now almost end of November. We're very much on track to have run rate breakeven by March '26. This is something that we had committed to and we have line of sight of that, and we're confirming that again today. I think there was some skepticism that we might get there, but we absolutely have line of sight to that. And that's why we are reconfirming that we will break even with that business or have run rate breakeven by March '26.

And then a final point, and again, Richard will talk to this extensively is the significant improvement in free cash flow, and the building blocks going forward to give you that confidence that we will be generating £250 million free cash flow going forward on a consistent basis. And what's behind that, Richard will explain.

So they are kind of the highlights, we'll unpick different elements of this as we go through the presentation. But first, I think it would be helpful to go through the detail of the half year results. And then I'll come back and share some more color on the strategic priorities.

And with that, Richard, over to you.

Financial results

Richard Pike
CFO, Johnson Matthey

Thanks, Liam. Good morning, everybody.

So sort of building on Liam's introduction, just to remind everybody, we've now treated Catalyst Technologies as discontinued, so the results that we'll present are excluding CT. Obviously still very much an integral part of the group until we affect the sale to Honeywell. But all the numbers in here we are talking about essentially the remaining business going forward.

Good progress on operating profit and cash

So as Liam said, I think we're really pleased with this in terms of – against the targets we set out in May, we think we've made really strong progress, pretty much across the board, against where we said we would focus.

So you can see that, despite sales being modestly down as a result of primarily Clean Air volume decline, basically you're seeing strong improvement in underlying operating profit, significantly because we're focusing on the things that are within our control.

That feeds through to earnings per share.

And to my mind, and I will, as Liam said, spend quite a bit of time on this. I think for me, possibly despite those headline operating profit numbers which I think are really quite impressive in the current environment, I think the free cash flow focus, in the modest time we've actually started to shift gear on this, is moving very well in the right direction.

Our net debt is up as primarily because CT had cash outflow in the first half and the dividend. And we've also had a significant stock build in our US refinery, because we took it down for a maintenance shut in October. So despite the stock build and despite metal prices having been higher, I actually think this is all quite a good news story. And I'll talk about how that's going to play through in the second half.

As a result of which, we're maintaining our dividend at 22p per share.

Underlying results

In terms of looking at the P&L, I mean I just touched on the highlights there.

The only real thing I'm going to draw out is the interest charge you can see is higher year-on-year. That's because we had a couple of one-off nonrecurring items in the prior year. This level of interest charge gives you a feel for the run rate of where interest cost is on an ongoing basis.

Clean Air: good progress in line with expectations

Coming down to the businesses. So in Clean Air, pretty much, if you look across the piece in terms of how we're performing.

In LDD, the European market has been difficult, which drove our sales decline.

LDG was worse than market. But if you recall several years ago, we made a shift from gasoline towards diesel to the primary focus, so we came out of a number of those. We've had platforms that we were on running off over time and this is the picture you're seeing, that running off.

In more recent times, we had an increased focus primarily towards hybrids. You've seen that in terms of announcements. But they take a while to come through. So sort of you've got a gap between when we announce something and it starting to feed through into the numbers. So there's no surprises in here from our point of view.

And actually, HDD, we're actually slightly ahead of the market. So in the area that we consider is likely to continue to grow going forward and where we're strongest in terms of market share and positioning, we're actually doing better than the market as well.

Over and above the sales position, basically, what you can see here is the strong focus on our costs. I said basically, at the full year, if you looked at our plan to get us from the sort of 12% margin last year, into the mid-teens this year, a lot of that will be about overhead reduction. You can see that coming through in terms of the margin improvement.

Also the operational excellence, commercial excellence, those areas are getting more ingrained in the organisation. So I think this gives us a strong belief that actually, we're heading towards that 16% to 18% margin range.

PGM Services: good sales and profit growth

PGMS: good half.

We had a weak first half last year. We have benefited from higher metal prices this year versus last year. And actually, it's been a more volatile trading environment. So the trading side of our business benefits when it's more volatile. So those things are feeding through. But pleased there, in terms of year-on-year improvement.

There's a lot of focus at the moment. Liam touched on obviously the build of our 3CR facility (our new PGM refinery). That's critical for us going forward.

We've still got a couple of years of running these old assets. So focusing on the consistency of operations, and actually maintaining our assets in as a reliable fashion as possible is really key to Liam's point around delivering for our customers. That's where the strong focus is in this side of the business.

Hydrogen Technologies: smaller operating loss

Hydrogen, as Liam said, you can see here improvement year-on-year in terms of the run rate.

For those eagle-eyes of you, you'll notice that our losses in the first half of this year are higher than the second half of last year. That's because we have a weighting in terms of when we recognise our revenues; it's second half weighted.

And so we've got line of sight, a very clear line of sight in terms of our contractual position with our customers. We see what's coming through. Hence, real confidence about getting to a breakeven run rate by the end of the year.

Significant year-on-year improvement in free cash flow

And as I said, despite actually the profit number being in really good shape, this is probably where I'm most pleased, actually, in the first half.

So you can see, obviously with the starting point of profit improvement, that's a good starting point for our cash generation. But the really important thing here is that movement in working capital.

These things take a while to bed down. I talked at the year-end about the fact that actually, there's quite a lot of areas which are not rocket science. But in an organisation that's not particularly been cash-orientated, some of these things are sort of ingrained processes that need to change. And we've started with payables, I'll come back to that. There's more to do on receivables and inventory because some of those things take longer.

But actually, what you can see here is actually a shift in focus. There's still a lot to do here. This is nowhere near job done. It's a modest cash inflow in the first half.

But given we had c.£200 million of stock build associated with the refinery shutdown in October, and we've had high metal prices, I actually think this is really positive. Because that stock build will unwind in the second half, and we've got ongoing focus in other areas.

Ongoing actions to drive cash generation

So to touch on those actions, particularly around the cash side of the business.

To actually replicate the CT profits that are sort of lost with the sale, we've said that we need to take a significant amount of overhead out. We used to be a much bigger group. We still have some overhead that sort of reflects the situation of the legacy of us being a big group. We're losing CT, we've coming a much more simple group. And actually, our overheads need to reflect that.

We're making progress. And a decent chunk of that is on the Clean Air side. We talked about the fact that most of the difference between the 12% margin last year and 14% to 15% this year was going to be about overhead reduction. You can see that actually Clean Area is already delivering on that with more to come in the second half.

And a similar amount is coming through on the group side of things. And as Liam will come back to on the organisational structure, as we simplify our group structure, simplify the way in which we run things, that will feed through to greater levels of overhead reduction going forward.

Capex, we're still at elevated levels, and that's going to continue through this year and next year, primarily because of 3CR, but also other areas within PGMS infrastructure, which feed into 3CR.

Our target, if you remember, of getting down to £120 million, which is close to depreciation, we're on track for. But you're going to see that higher level of capex and that's why to certain extent, or not just that reason, but why it's quite important we're focusing on working capital in the near term. Because that working capital saving offsets some of that higher capex in the next couple of years.

If you think about all of this coming together, what we said at the year-end was: we'll sell CT, well on track, as Liam said and he'll come back to that; basically Clean Air, get it to a 16% to 18% margin, well on track; get 3CR built.

Yes, we've had couple of hiccups, if you like. So we had industrial action with one of our contractors, and that's led to a lack of productivity in terms of the people on site. So that pushes out the schedule and so on and so forth.

I think what's been really important is since the summer, our team where we've changed a number of members, the general contractor, and the subcontractor where we've had industrial action, have worked really hard to get to a schedule that everybody believes in. The detailed level of work that underpins that, everybody has signed off on. Everybody is holding hands and actually we're really confident about the plan we've got in place.

And if we actually generate the working capital improvements that we promised for the next couple of years, that will actually underpin our cash generation while we're still spending more capex, to then get to a situation with lower capex going forward, which underpins where we get to the £250 million of sustainable cash flow from '27/28.

Delivering materially advanced shareholder returns

We've talked about this a few times, but just to reiterate on the shareholder return side, on the £1.4 billion that we're returning, we spoke to pretty much every shareholder through the year-end process about where preference was. I think everybody recognises that whilst there might be a preference in some areas for share

buybacks, it would take us about six years to return all this through share buyback. So that's not realistic.

So majority is going to come back through a special dividend with a share consolidation, and the balance going back through share buybacks, probably during the course of calendar '26.

And then ongoing from '26/27 onwards, we've promised about £200 million of returns from there. Depending on how the share buybacks play out, the share consolidation and so on and so forth, that will obviously determine how many shares we have in issue and things, but I think you're looking at a situation where we'd like to have about one third dividend, two thirds share buybacks from '26/27 onwards.

Outlook for year ending 31st March 2026

And then outlook for the year, my last slide, basically.

We're in good shape. We're very much expecting to deliver on our promises for the full year.

PGMS will be down year-on-year in the second half. We've touched on this before. There's low metal recoveries, there's higher maintenance costs given the age of the asset, but nothing different to what we actually said at the year-end.

So we feel we're in good shape for the year. We feel we're in a good shape in terms of delivering on our '27/28 targets. And on that, I'll hand back to Liam to give you a bit more detail. Thank you.

Strategy update

Liam Condon

Great. Thanks a lot, Richard.

Sale of Catalyst Technologies on track

So if we jump in on the strategic topics, the first one, which is top of mind is probably the Catalyst Technologies sale. So what still needs to happen on this?

Well, we have a binding sales and purchase agreement with Honeywell which is publicly available, where also what needs to happen is listed in that document. But in essence, it's two things.

One is the regulatory approvals. We need regulatory approval in 12 jurisdictions. We have 11 and the twelfth is progressing smoothly as planned. And so we believe that's very much on track.

And then there's the carve-out, which is two elements. This is basically the legal reorganisations, which is very much on track and then the transitional service agreements and long-term supply agreements to ensure that customers and employees are looked after, and that's all very much on track as well.

So they are the two big elements that need to happen for us to close. And then based on where we are today and a very good collaboration with Honeywell, our expectation is, as we have previously stated, that we will close in the first half calendar of '26.

I think it's important to note that the business had a weaker performance, the CT business had a weaker performance versus prior year, significantly weaker. This is completely market related. And if we look at it from a market share point of view, the CT business has maintained market share in every key market.

So the underlying performance from a market point of view is very good. It's just the market is pretty weak right now.

We have continued to win new significant new sustainability-related projects. These are typically in the sustainable aviation fuels space. So the pipeline remains very, very robust. And with that, the growth outlook for that business remains very strong.

So that's the overall situation for Catalyst Technologies and the sale to Honeywell which is very much on track.

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

Now if we go to new JM then, without CT. We had outlined previously, what we're really doing here is focusing on our core competency of platinum group metals. This is what this company has done for over 200 years. We would consider ourselves world champions as far as platinum group metals are concerned. We don't think there's anybody who can manufacture, trade, and recycle as well as we can, and that's what we're really known for.

And we build businesses that typically use platinum group metals, and there are multiple applications. The biggest is, of course, Clean Air; catalytic converters. But within the PGM business, there's many other industries that are served and serviced by the PGM business.

And as we outlined, we have a big opportunity now with a more streamlined group to run the business much more efficiently. To be very honest, you don't need a big corporate center if you have two businesses that are very closely interlinked with each other – the PGM and the Clean Air business.

So, and I will explain this a little bit later when we talk about organisational design, there's plenty of opportunities for us here to further streamline how we run the business to be simply more successful in the market.

Clean Air: leading in autocatalyst markets

Now if we go to the first of the big businesses in here, just a reminder, again, of our ambition, we said by '27/28, we want to achieve at least £2 billion in sales and a 16% to 18% margin.

You'll recall in '22/23, we were at a margin of 8.7%, this half you can see that we're up to 12.4%. So a really significant jump in the last few years. And we have line of sight to the 14% to 15% and with that, we think from a trajectory point of view, we're very much on track here.

Clean Air: maintaining a leading position

Now if we have a look at how we're doing from a winning point of view, and Richard explained a little bit what's happening in the market. Question is that, that kind of at least £2 billion, what's the confidence level? Well around 90% of that business has already been won. So that, I think, should underpin our confidence in this business. So very strong overall win rate.

And what's, I think, been really encouraging recently because we've been focusing on the hybrid space, we've actually started winning business with leading Chinese OEMs, who are typically the leading hybrid players. And if you can win with a Chinese OEM in China, then both your technology and your cost must be really good. And this is not just servicing then the Chinese market. This is also for export to the rest of the world. So this is actually a significant step forward and gives us a lot of confidence in the portfolio, and again, our ability to win in this space.

Lots of progress on partnerships with our strategic customers.

And a point that I won't elaborate on much this year, right now, but rather talk about it more extensively at the full year results. We do have a small kind of, almost like a start-up business within Clean Air. And I think there's a general perception that Clean Air is maybe sunset industry, sunset business. But there are elements that are growing, like, for example, the hybrid business, like, for example, the heavy-duty diesel business.

But there's also something what we call Clean Air Solutions which is using the core emissions technology of Clean Air for non-automotive type use cases, typically stationary use cases.

And the example that's mentioned here is, we've just won several multiyear contracts for emission control technology for engine systems for data centers. And of course, data centers is a hyper-growth area right now. Most of those data centers are fueled by fossil fuels, so they require emission control technology otherwise you're going to have toxic fumes. And that's where our core competency is again. So this is an area that's growing, and we'll unpick that further at full year.

But I just want to highlight, that within Clean Air, there's enough opportunity in here to give us a lot of confidence about the targets that we've set for '27/28.

Clean Air: driving efficiency

Now beyond winning commercially, we do continue to drive efficiency, which is really important for us. This is also why our margin has been improving.

There's been a significant reduction in overheads, especially SG&A, some R&D as well.

And as we do that and as we're winning business, I think where we're really encouraged is our net promoter score has actually increased significantly. This is almost unheard of that the net promoter score is up 15 points. This means at a point in time where we are improving our profitability, our customers are thinking more highly of us. That's not necessarily to be taken for granted, and it's really a sign of how much value the commercial teams together with the tech teams are adding for our customers. So I think really strong progress here.

And we will continue in the journey of footprint optimisation. When we started in '22, we had 50 production lines were down to 21 now. And that journey of consolidation between production lines and site consolidation will continue, and it continues at the pace that the market is evolving. If the market evolves faster in a certain direction, we can move faster from consolidation or we move slower. So we just adapt to what's happening in the market.

But all of this gives us, again, the strong confidence that we'll get the margin up to 16% to 18% by '27/28.

So that's Clean Air.

PGM Services: a world leader in PGMs

If we go to Platinum Group Metals Services, and again, in a world that's very concerned about critical minerals. This is a jewel in the crown, I think for the UK, but basically, from a global point of view, to have the know-how portfolio and the people that we have for this business, very profitable business that has a big moat around it.

We've given out the targets, the guidance: £450 million sales by '27/28 on a circa 30% operating margin.

You can see there's three parts to this business. In essence, it's producing products. So typically, alloys, anything that uses PGMs, for multiple different industrial and other applications, might be for life science, might be for defense, there's many different use cases. And we produce products often customised for our customers then.

We also refine. We're the world's biggest secondary refiner and recycler. And again, the vast majority of that happens in the UK, currently with a very old refinery, and in future with a brand-spanking new refinery, which will be absolutely state-of-the-art and there will be nothing else out there in the world like what we will have then when this is complete, which is relatively soon.

And we also have a trading business. So we buy and sell and manage metals on behalf of our customers. And that's important because this stuff is super valuable. A normal, an average industrial company doesn't really have the infrastructure from a security and a logistical point of view to actually manage precious metals. We have all of that. And again, this is a service component that we offer for our customers.

So a fantastic business.

PGM Services: construction of new refinery progressing

I mentioned, both myself and Richard have mentioned, how important the new refinery is.

And we're on track now to start commissioning by March of '26 and is really important. Richard already elaborated, there was some industry election that's cost us a few months. But it means we will still be fully operational within the calendar year '27.

And to underpin that confidence about being fully operational, we also have a clear plan to start decommissioning the old refinery within '27 as well. So by the end of '27,

we'll start decommissioning the old refinery. And we always said we would only start decommissioning when we're 100% certain that the new refinery is up and running.

And from everything that we can see today, we have complete line of sight of that. As Richard said, we have our best teams on this. Everyone has joined hands. It's got the utmost focus and we're very confident about the schedule that's in place now. And thankfully, we still have the old refinery to keep supplying customers as long as this one is not up and running, but it will be up and running in calendar and the old one, we will then start to take down.

So that's the overall situation for 3CR, and that's why we're very confident that this will be a big, big benefit for us going forward.

Streamlined Group Leadership Team to support JM's transition

Now besides the business, I mentioned earlier on that we have an opportunity to basically streamline how we run the business. And again, if you think about the situation, CT is moving out, with Clean Air and PGMS we have two businesses that are intricately linked through platinum group metals. They all use lots of platinum group metals, we manufacture products. We also recycle products on behalf of our customers. We manage their metals. So there's a lot of synergy in here.

So we gave a lot of thought, together with our board, about how we could set ourselves up for success in the future and really accelerate progress. And what we've agreed on is a new streamlined organisational model.

So we're moving away from divisions and sectors with individual CEOs. And given that we only have two businesses that are intricately linked, we're going to move to an operating model where we have one Chief Operating Officer who can ensure that we're tapping into all the synergies across those businesses.

And basically, we'll move from nine people on the executive committee down to six, and I think it's a good reflection, if you think where our business was and is, it will be a smaller business going forward. And so the streamlining should really start at the top.

This is a team that's been working together very intensively and very successfully, particularly since this summer on developing the new strategy, the new JM going forward. We have a lot of fun together and based on kind of how we're all interacting with each other and looking at the strengths of different people, what we've decided is Richard will become the Chief Operating Officer.

And for those of you who are not so familiar with Richard's extensive curriculum vitae. He has a lot of experience running operations in other industrial companies, both on the manufacturing and the recycling side. He's super passionate about the operations. He loves getting into the detail, and he wants to make sure that we can deliver on all these cash commitments that we're making. So he wants to be on the front line managing this. So we think this is a great move.

And we're really lucky within JM that we have Alastair Judge, who many of you possibly know Alastair. He's current Head of Strategy and Operations. Alastair used to be the interim CEO for Clean Air, so he knows Clean Air intricately and he used to be CEO for Platinum Group Metals Services. So there's nobody who kind of knows the business better than Alastair.

What's important is Alastair is also a chartered management accountant and for the vast majority of his working life, he's worked in financial roles. He was intricately involved, together with the entire team, in developing the cash-focused business model going forward.

So we think it's a great combination to have Alastair as the new CFO, Richard as the COO, and then everybody else on the team – a fantastic team all working really closely together to deliver on our commitments. So we're absolutely convinced that this organisational model will help us to accelerate progress, and this is the way we're going.

Maybe on that, because we have Anish with us here today in the audience. Let me say Anish will be leaving. There was an announcement made today. Anish is taking up a great new role. He will become Group CEO in another company. And that's a fantastic development. I'm super happy Anish for you personally.

Anish has really strengthened Clean Air. And I think the most important thing Anish has done, he's developed a great team. There is a fantastic team within Clean Air. They're all ready to step up and they're all ready to support Richard. So I think this is, for all of us, it's actually a really good news story. So big thanks to you, Anish on behalf of everything that you have done for us.

What's not on here is CT. The CEO will continue to report to me directly, but this is the new JM going forward. So will not be a member of this executive team and will continue to report to me as long as CT is within JM, which is up until the first half of the calendar year '26.

So I hope that's relatively clear.

Now this team also has been placing a lot of emphasis on developing the right culture for us to be able to succeed with our commitments.

Nurturing a high-performance culture

And just to give you a few data points on how we're doing on that front. And this is really important for us that we have a culture that really enables implementation of the strategy and not one that's holding us back.

For us, and particularly, I think anybody in the process-related industry, what is really important, everything starts with safety. Every meeting starts with a safety moment. Really important for us.

But it goes deeper at JM, when we think about safety, it's about looking after each other. It's about taking pride in your workplace. It's about caring. And I just have a fundamental belief, if your safety stats are improving, probably your culture is going in the right direction. It's a sign that people care. It's a sign that they're looking out for each other. It's a sign they're taking more pride in their work. That's really important.

And we've seen a significant improvement in our safety stats. We know we still have a long way to go. We need to continuously improve here. But it's important that we're seeing progress. And we are seeing progress here.

Second one, and I've already mentioned Clean Air. It's not just Clean Air, all of our businesses, we've seen a significant improvement in customer satisfaction as measured by net promoter score, again, 13 points up for JM in total. That's an almost unheard increase.

In a very difficult market environment where everybody is dealing with lots of issues. Our customers are thinking much more highly of us, because they can see the value that we bring to them. And this is really important for us, that we have the customers front and foremost, so we track this rigorously.

Third point, data point, also super important, employee engagement, which is typically an early indicator of performance. There's usually a lag between where your engagement is and then how your performance turns out. And typically, when you have lots of change – external change, internal change – your employee engagement will drop typically.

We've actually seen – we just measured this in October, we do this every six months – and we've seen another good increase in employee engagement. And this is over 80% of all of our employees reply to this survey. So this is a really big population and a good increase in engagement.

So again, these are all data points that tell you something is improving and give us confidence that we can continue to drive performance.

We've aligned incentives. We never had targets for cash in the past. It was always underlying OP and margin, and sometimes sales, would typically be the KPIs we would use. Now we also have clear targets and incentives for cash so that people have skin in the game for what we have committed to externally. And that, we believe, is also helping us drive performance, which you can see then in the results that we've delivered in the first half.

What JM will deliver by 2027/28

So just a reminder of what you can expect from us by '27/28.

At least mid-single-digit CAGR in pro forma operating profit going forward, for which we're very much on track then this year so far.

Annualised free cash flow of at least £250 million and returns, as Richard outlined, returns to shareholders of at least £200 million per annum.

So that's what you can expect from us.

Strategic milestones

Tracking progress, as usual, we give some milestones that hopefully enable you, beyond the financial reporting, just to be able to hold our feet to the fire because we need to do that for ourselves, but we want to be transparent about it. These are the areas that we think matter the most. And we give you a kind of a traffic light, and we'll do this every half year. And whenever there's any significant change to any of these variables, we will update you.

As you can see, everything is on track. We've put the refinery on yellow because we have a few months delay. But again, this has no impact whatsoever on our guidance or our financials, because we have the ongoing refinery which will ensure that our customers can continue to be supplied.

So that's overall, the strategic milestones, we will continue to update you on that.

Delivering a leaner and more focused Johnson Matthey

And then just in summary, again.

We think we've had a good start with the new model: significant increase in profitability, turnaround in cash with lots more to come, and the sale of Catalyst technology is on track. And we believe the organisational changes we're making will actually help us accelerate progress.

So we have a lot to do, and we have a lot to look forward to, and we look forward to your questions. Thank you very much.

QUESTIONS AND ANSWERS

Louise Curran: So thank you, Liam and Richard, for the presentation. We'll firstly take questions from the room, and then we'll move to questions from the webcast. (Operator Instructions) So Geoff?

Geoff Haire (UBS): It's Geoff Haire from UBS.

Just first of all, on the ramp-up cost that you sort of alluded to back in May this year for the new refinery. I think you were saying it would be about £20 million to £30 million. Could you give us an update on what that would be, now you've got more line of sight as it were to when that refinement is coming online?

Richard Pike: Still the same. Still similar Geoff. I mean basically increased maintenance costs, dual running costs, lower metal recoveries, that sort of order. So in terms of what we set out in May, that's still the trajectory we're looking at.

Geoff Haire: Okay.

And the second question I just wanted to ask was, and I don't want this to sound churlish, but obviously you've done a lot of work on working capital, why has that not been able to be done before? And also, do you run the risk that your inventory levels are too low for what you need to produce within the business? How do you manage that risk?

Richard Pike: Yes. Look, this has been a growth-focused business. You know actually, if you look at where over time the capital has been deployed, where people have been focused, it's been growth. And generally, when you actually focus on growth, you're actually growing working capital. It's not been focused as much on net cash generation.

So to be fair to people, when you're targeted in a particular way and that's what you're focused on, there are other things that you don't focus on. Now whether we should or shouldn't, it's sort of a bit irrelevant because you can't change the past.

What I would say is there is a significant opportunity. There's a significant opportunity in payables because we've been paying people too quickly, actually, and sometimes ahead of when we actually needed to. There's a significant opportunity in receivables because we've actually been collecting monies too slowly. And we carry far too much inventory.

So we're way off a situation where we're potentially driving this to levels that are unsustainable. We're actually, we're only scratching the surface today.

Tristan Lamotte (Deutsche Numis): Hi, Tristan Lamotte, Deutsche Bank.

I was wondering, a question on PGMS. Could you talk through conditions currently in PGMS and why it will be down in H2? And I'm particularly interested in the volumes and feedstock availability.

And then linked to that, what kind of PGMS trajectory do you see in the next few years? And is there any change to that trajectory at all with the plant push out?

Richard Pike: So I mean we are seeing higher metal prices. So that feeds through in terms of underlying refining performance and to our trading side, because of increased volatility in the trading environment, our trading business makes more money when the environment is volatile. That's benefiting.

On the flip side, we have had one of the large mines in the US that's closed. So therefore, there's been lower volumes on the refining side.

But as I've also mentioned, because we're actually in a transition phase through to getting the new refinery built, we have got dual running costs, we've got lower metal recoveries because we've recovered metal over time.

And I mentioned in the full year, we had a very strong second half last year, particularly because of metal recoveries and other one-off items. So once you've had a one-off item, it doesn't necessarily repeat. That means the following year, it will be down.

So the fact that we've got higher running costs and lower one-offs is actually feeding into the second half.

But it's exactly the same as what we said in the year-end. We said we'd actually dip before we actually came back. So you've got a declining trajectory through to '26/27 and then recovery from '27/28 forward as we have the new refinery up and running.

Tristan Lamotte: And then on exceptionals, just generally at a kind of group level, are you expecting that level to stay similar to H1 in H2? And does that come down into next year or what kind of trajectory are you seeing on that?

Richard Pike: Yes. There's two real items under non-underlying items.

One is the costs associating with reducing overheads, i.e. losing people. And the other is the ongoing Clean Air footprint consolidation. So as we take lines out and take sites out, it's cost of closure.

Those costs, you can see in the first half in terms of the key categories. That will continue in the second half and continue into next year. And I indicated at the full year, if we're taking around about £100 million of overhead out in total, actually, you'd be looking at a similar level of costs associated with that, as well as Clean Air.

So you'll see, not exactly like-for-like, but you'll see that sort of overall level across the next couple of years.

Louise Curran: I think the next question from Alex.

Alex da Silva O'Hanlon (Panmure Liberum): Good morning gentlemen. Congratulations on a strong first half. Alex O'Hanlon from Panmure Liberum. Just a couple of questions from me.

The first is kind of on culture. Obviously, you're going through quite a big transition at the moment. And you pointed to the engagement score being like, kind of upticking a little bit. Just kind of interested in kind of what you're doing to manage that culture during quite a big transition, and how you are kind of confident that you can keep that high, that engagement score.

Liam Condon: Yes. Thanks a lot, Alex.

So we've actually spent a lot of time with leadership explaining we need people to be talking to people. When you've got this much change going on, what you don't want to be doing is communicating through slides and just webcast. We need line managers to be talking to their people, to be listening to what the concerns are, taking them seriously, and then working on an action plan to address those concerns.

So very specifically, one of the elements we track is, and we can see this from a people management point of view, has there been follow-up related to the engagement survey? Have your concerns been taken seriously? And we can track literally across the board where it's working, where it's not working and where it's not working well. We then intervene with the line manager and give them support. And if they're not able to come along with the journey, then of course, we have to take other consequences.

But it's really about strong people, leadership, listening to concerns, putting an action plan in place, so that people can see their issues are being dealt with and not some generic 40,000-foot kind of strategic stuff, but the issues that they're dealing with on the frontline. So we place a lot of attention on that. I think that's the single biggest issue that we can do.

And the second one would be everything related to safety, because people can understand that's really important that everyone can go home safely to their families every day. And the amount of attention we put on that is quite exceptional.

Apart from the fact that every meeting starts with safety every time, religiously, we dedicate an entire day every year where we shut down everything and just go through

a whole raft of safety measures and trainings. And then throughout the year, we'll have various elements around that as well.

So I think it's just walking the talk really and showing people that we care, and that with that, they should care to. And I think that's working.

Alex da Silva O'Hanlon: And the second question was just on the £2 billion of sales for Clean Air in '27/28.

Obviously you've got kind of 90% of that in orders already the same as at the full year. I think at the analyst call at the full year, you mentioned that there are tenders out that could even see get up to 100%? So I'm just interested in how should we think about that number moving forward? Is it going to be kind of lumpy? Or should it kind of gradually tick up over the next couple of years?

Liam Condon: Should the 90% go up to 100%? Yes, it should. I mean I think it's a good one to hand over to Anish just to give a bit of flavor on what kind of contracts we've been winning recently that are not yet in the 90%.

So the 90% for sure, increases significantly going forward. But the quality of those wins, I think, is quite exceptional. Maybe Anish, you can share just some examples of that?

Anish Taneja: Yes, of course. Good morning, everyone. And I think it's a fantastic question. With me moving on, I can speak more openly obviously.

So there's one recommendation I want to give you when you look at the businesses. 90% of the £2 billion already is a great number, but to look at the quality behind is absolutely crucial, because when you look to the automotive environment today, not every tender has the same value in the future, because you got to make sure that you win with the winners in the right markets.

So let me give you an example: with a brand that is clearly going to win in the next 10 years in South America, that's a better tender than maybe with a smaller brand in Europe. Because it just gives you more run rate, it gives you higher margins, it gives you a longer runway.

So when we assess the quality of what we have won, we always look to: how long is the contract? In which market are we winning? What's the regulations there? How long will combustion engines be surviving in that market? And how is that OEM positioned to be a real winner? So that's the first thing.

And then I can tell you the good situation that we have at JM right now, is when you have won 90% already today, the total sales funnel is obviously above 100%. So theoretically, you could make it to even more than the £2 billion. Obviously you're not going to win everything in the funnel, but I can tell you we are going to win some stuff in the funnel.

For example, we have just received, verbally, the confirmation that we've won a huge LDG tender in Europe with a very big OEM, which is going to give us access to 20% of the hybrid market in Europe. That's going to be huge. So when that's confirmed in writing, I'm sure my colleagues – and it's my farewell present to Richard – will talk to you about that, and it's going to uplift that number.

So that's how you have to see it.

Susan Armour (Uni Credit): Just a quick question on the, you mentioned new contracts for data centers. It might be too early to share, but is there a rough value of those contracts you could share?

And I just wondered if that's a new sort of start-up business? Does it have any initial margin erosion impact? Or is that one where you hit the ground running as it's strong?

Liam Condon: Yes. So we're not sharing the financials now but we will at full year. Simply because we want to have a bit more meat on the bones to be very honest.

Although this is a nascent business, it's using the core footprint of Clean Air. So there's no additional investment required in that regard. And this is not something that would be dilutive on the margin.

So it's an area that we think is hyper attractive for us. But we'd simply like to have a bit, we'd like to show a fuller picture. And right now it's more or less saying we're actually, we're winning contracts in this space, multi-year means 5- to 10-year contracts. And what's kind of behind that from a financial point of view we'll unpick further at the full year.

Louise Curran: Any more questions in the room? So in which case, we'll move to the webcast.

So sticking with PGMS, there's a question from Chetan Udeshi from JPMorgan.

I think probably Liam, you referenced the growing importance of critical metals, are you seeing any change in customer behavior in terms of how they deal with the PGM Services? Is this business moving to a long-term take-or-pay contract? Can it reduce the lumpiness in earnings in this business?

Liam Condon: Yes. Maybe I'll start, Richard, and then you chime in.

So de facto we're not seeing, and there's various moving parts when you think about PGMS, we're not seeing a significant change in customer behavior because these are precious metals. They've always been precious metals. It's just the focus on them has ramped up considerably.

I think going forward, there's a keener awareness of where PGMs are actually sourced from. So for example, there is an ongoing discussion in the US, a very active, live discussion: that palladium being sourced from Russia should have significant tariffs on it, should be sanctioned, which is not the case today. There is a body in the US who has found that there has been some dumping going on there. And if that is the case, and palladium is then sanctioned, Russian-sourced palladium is sanctioned in the US, that will have an impact in the market.

It doesn't impact us because we do not source any palladium from Russia. That is not the case with all of our competitors. So there is a stronger focus on the source of PGMs going forward.

The fact that recycled PGMs have a much lower carbon footprint is something that customers like. They just haven't been willing to pay for it previously. I think as carbon pricing ramps up going forward, that will become more of a topic as well.

But de facto, we don't get a premium because of the product is recycled. It's a globally traded product, there's one price as opposed to a differentiation between a lower carbon source of PGMs and something where there's a much larger carbon footprint.

So overall, I think from a contractual point of view, we are having discussions and have been having discussions with customers about a fee-for-service type of a model as opposed to just taking a percentage of the value of whatever it is that we're recycling. If you move to a fee-for-service model, that would reduce volatility. That's always a commercial negotiation. It can go either way, some customers want that type of a service, some don't. So we make it very much customer dependent. But that's the way we think about it.

Richard Pike: Trying not to replicate anything Liam said.

But just for anybody who's less familiar with PGMS, the three bits of this business, there's a refining operation where we refine our customers' metal. So it's really, really important that they trust what we do. We take their metal and return as much PGM content as is possible.

When I was at the PGM week in New York a couple of months ago, I saw 12 of our top 20 customers, that came out really strong. And obviously we've been in this industry for 20 years. And the trust in JM, which is fundamentally important. We are a commodity refiner, so cost per unit is important. But trust in what we do is really important. And I think we stand out there.

We have a products business. So we turn PGMs into products. We do a whole variety of things for our customers. And actually, we're actually, I think, more inventive than others. Quite often if we see things go away, we're quite often better at providing solutions and that keeps people coming back.

And then we have a trading business where I mentioned both metal price and volatility is quite important.

Liam talked a little bit about contractual situation. But if you look at the volatility, to Chetan's question, the volatility of returns is primarily about PGM prices. And these commodities, so you can't fully get away from that because it's a commodity and prices will go up and down.

What we can do is smooth things. And so as prices have been at recent highs, we have looked to lock in a bit more of next year's and the year after's pricing. You can only smooth things – taking a hedge is a gamble because at the end of the day, things can go up or down. So we can smooth to some degree some of the volatility, but you can't remove it entirely.

What we can do is we can ensure that we've got consistent refining operations, that actually ensure we deliver for our customers on time and deliver to their promises. That actually, we've got our cost base in the right place to ensure that we're as competitive as anybody else. And that we manage our commercial situation where we smooth that volatility over time. And those are things that we're looking at in the underlying business model.

Louise Curran: The next question, sticking with PGM Services, is from Adrian Hammond from Standard Bank Securities.

Could you please give some color on autocat recycling volumes? Are volume still subdued and how does this differ regionally?

Richard Pike: Yes. They are still subdued at the end of the day, although the penetration of electric vehicles has slowed, it's still an increasing space. We have seen it coming down.

We haven't seen it come back yet. We do expect to see some degree of recovery there, but it's not feeding through in the market just yet.

Liam Condon: Yes. And maybe to add to it, I mean we had been expecting for some time that the US would bounce back from a kind of recycling point of view on the autocat side, and it hasn't. So far, it hasn't.

And we were hearing anecdotally was, with pricing where it was, there wasn't enough of an incentive to actually encourage more recycling. With prices where they are now what we're hearing is the incentive has definitely increased to actually start recycling more. So we've got anecdotal evidence that things are starting to move in the US, but we'd like to see it in hard data before we would say it's real.

Louise Curran: The next question is on Clean Air from Chetan Udeshi from JPMorgan.

Have you seen any shift in Clean Air volume momentum in the current quarter? There were some concerns that there might have been some prebuild in the supply chain ahead of US tariffs.

Liam Condon: Do you want -- Anish, do you want to...?

Anish Taneja: A very clear answer, no. So there has, nothing been like that.

Maybe as a little explanation. You know that we are winning our business, as Richard has described perfectly, very long before we actually produce, which is actually an opportunity for us and not risk. We can talk about pricing excellence in that time with our customers, lots of topics there where we can uplift the price.

And then the second thing is as we are delivering to canners, that supply chain is hold very tight. There's opportunities we have taken now on the working capital side. There's more opportunities there for JM in the future.

So that's very, very good organised, very good process and the risk of high inventory builds before certain effects, for example summer breaks or factories or tariffs or anything, has not happened.

Louise Curran: Thanks, Anish. The next question now is around Catalyst Technologies from Ella Harvey at Lombard Odier.

How does the weaker performance in the segment impact the sale?

Liam Condon: Thanks, Ella.

So as outlined, the conditions for the sale are related to regulatory approval and to the carve-out, both of which are very much on track. So the market performance is not a condition.

Louise Curran: I think that's it in terms of webcast questions. So we'll just do a final check in the room.

I think that's good.

So thank you very much everyone in the room, and for your attention on the webcast. And hopefully we'll see as many of you as possible over the next couple of weeks or so, as we do roadshows.

Thank you very much.