

# Johnson Matthey

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## Johnson Matthey weak as Belgium's Umicore warns on cheap cobalt supply, slowing electric vehicles demand in China

Johnson Matthey PLC (LON:JMAT) shares were lower on Tuesday as traders cited a read-across following a profit warning from Belgian-based chemicals firm Umicore, which blamed cheap cobalt supplies and slowing demand for electric vehicles in China.

Umicore said its underlying earnings (EBIT) will be around 10% below consensus for 2019, pointing out that it had been undercut by several competitors selling cheap cobalt, a key components in batteries that power electric vehicles.

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Shares in the Belgian company dropped by 15% in reaction to the warning, helping to drag Johnson Matthey shares 1.5% lower to 3,383p in afternoon trade in London.

In a note reacting to the Umicore warning, UBS reiterated a 'sell' rating and 2,850p target price on Johnson Matthey shares, but pointed out that there is a limited immediate read-across for full-year 2019 for the UK firm.

The Swiss bank's analysts said: "We see none of these issues as being immediately relevant for JMAT which has only just announced its first investment in battery materials."

The UBS analysts also pointed out that Umicore said its catalysts business - which also overlaps with John Matthey - is actually expected to perform ahead of consensus

But, they added: "Whilst the soft trading in auto production in 1Q19 calendar may have some modest relevance for JMAT consensus for FY19 (we are 2% below EBIT cons. for 2H19) the bigger issue for us is FY2020 consensus, which currently models 7% EBIT growth."

The analysts concluded: "We have a Sell rating on JMAT seeing the capital intensity of the group growing at a time of fragility in auto and truck markets globally.

"Short term we see consensus as vulnerable and over the long term we see ROCE fading materially given the 'greenfield' expansion into battery materials and the uncertainty of future margins in this industry, not to mention JMAT's ultimate share of the global market."

**Price:** 3093p

**Market Cap:** £5985.99M

### 1 Year Share Price Graph



### Share Information

**Code:** JMAT

**Listing:** LSE

**52 week High Low**  
3,866.00p 2,574.00p

**Sector:** Chemicals

**Website:** www.matthey.com

### Company Synopsis:

*Johnson Matthey's principal activities are the manufacture of autocatalysts, heavy duty diesel catalysts and pollution control systems, catalysts and components for fuel cells, catalysts and technologies for chemical processes, fine chemicals, chemical catalysts and active pharmaceutical ingredients and the marketing, refining, and fabrication of precious metals.*

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