

# Johnson Matthey PLC

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## Johnson Matthey's debt mushrooms on higher platinum prices

Johnson Matthey PLC (LON:JMAT) shares fell on Thursday after the chemicals group reported better than expected first-half profits but rejigged full year guidance and saw net debt much higher than expected.

The FTSE 100 group posted interim results to 30 September with revenue of £6.8bn up 37% on last year, boosted by higher average platinum group metals prices, with underlying operating profit down 5% to £265m and reported profit before tax down 8% to £225m.

Underlying profits, which beat the £261m average analyst forecast, were hit by around £15m of one-off costs in its catalytic converters division, which included additional freight costs and manufacturing "inefficiencies" as the company completing a new plant in Poland.

The catalysts arm, called Clean Air, improved sales 4%, while in the Health segment, sales declined although operating profit grew by double digits driven by efficiency improvements.

Efficient Natural Resources, the recycling arm, grew sales and profits as a result of higher average PGM prices and improved licensing income.

With average palladium and rhodium prices up 52% and 58% respectively, this led to net debt being worse than expected, up £452m to £1.5bn versus consensus of £916m, because of the significant increase in precious metal working capital and higher capital expenditure.

The New Markets arm saw good sales growth but lower operating profit as investment is poured into developing the eLNO new battery material.

"We continue to make good progress with commercialisation of eLNO and recently moved to full cell testing with two customers, another significant milestone in the customer validation process," JMAT said.

Directors lifted the interim dividend 5% to 24.5p per share and said they expected to deliver group operating performance in line with market expectations, where the full-year consensus is for £595m versus £566m a year ago.

"We expect a stronger second half due to the absence of one-off costs, seasonality in Catalyst Technologies and efficiency gains in PGM Services."

Broker Liberum said for a company with 60% exposure to the vehicles sector the first-half result "testifies to the resilience of vehicle sector".

**Price:** 2792

**Market Cap:** £5.4 billion

### 1 Year Share Price Graph



### Share Information

**Code:** JMAT

**Listing:** LSE

**52 week High Low**  
3475 2727.42

**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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