

Glass act: JM sells subsidiary to Italians for £178m

Cambridge speciality chemicals group Johnson Matthey has sold its Advanced Glass Technologies business to Fenzi Holdings in Italy for £178 million on a cash and debt free basis. Completion of the deal is anticipated in spring 2022.

AGT is a leading global provider of specialist glass enamels and precious metal pastes supplied mainly to the automotive sector. It was previously identified as non-core to JM's growth strategy.

Fenzi Holdings is a manufacturer and supplier of materials for flat glass processing.

In the year to March 31 AGT generated sales excluding precious metals of £66 million, operating profit of £17m and gross asset of £49m.

A profit on sale in excess of £100m is expected. In line with JM's capital allocation framework, it will return the sale proceeds to shareholders as part of a £200m share buyback programme starting in the New Year.

The divestment of AGT is consistent with the parent's aim of creating a simpler, more focused portfolio. Aligned with JM's strategy, the company is focusing its resources towards growth areas targeted at climate change solutions as it delivers on its vision for a cleaner, healthier world.

Johnson Matthey has boosted sales in the half-year and looks well set to build on this position of strength.

Sales of £1.9 billion were up 21 per cent, driven by a strong recovery in Clean Air and Efficient Natural Resources.

The underlying operating profit of £293 million was 102 per cent ahead and in advance of pre-pandemic levels, driven by strong sales growth and higher average precious metal prices. The company has a strong balance sheet.

Chief executive Robert MacLeod said: “We delivered a resilient trading performance in what has been a challenging environment, given the supply chain volatility which has affected a number of our end markets.

“Looking forward, the changing world around us means that Johnson Matthey has never been more relevant. Our metal expertise and process technologies are critical to many new markets focused on climate change solutions and give us a strong competitive advantage.

“We have strong foundations in Clean Air and in Efficient Natural Resources and exciting opportunities to drive our future growth in circularity, hydrogen and decarbonisation.

“To ensure we are focusing our resources on these core growth opportunities we have taken some strategic decisions around our portfolio. In particular, we announced our intention to exit Battery Materials as we concluded that this business would not generate adequate returns for us.

“Demand remains strong in many of our end markets. However, supply chain volatility especially the shortage of semi-conductors is affecting production for a number of our auto and truck customers.

“Global auto production is now forecast to decline five per cent for our fiscal year which is a 14 per cent reduction since our trading update in July. Consequently, precious metal prices have also declined, largely because of the lower demand from the automotive industry. We are also experiencing acute temporary labour shortages in the US that are adversely impacting our Health business.

“For 2021/22 we expect growth in underlying operating performance to be low single digit at constant precious metals prices and constant currency. If precious metals prices remain at their current level for the rest of this year, we would expect a full year net benefit of c.£45 million.”

The board has approved a share buyback of £200 million that will start in the New Year.

Robert MacLeod had advised the Johnson Matthey board of his intention to retire as chief executive and will step down from the board in February 2022.

Liam Condon take over the role as chief executive on March 1; he is currently a member of the board of management of Bayer AG and President of the Crop Science Division, a role he has held for nine years.