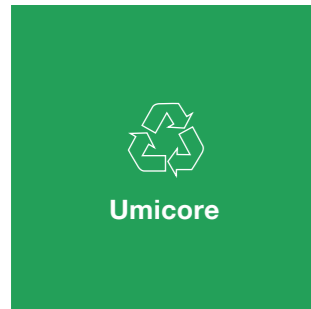


Umicore

Clean mobility and recycling

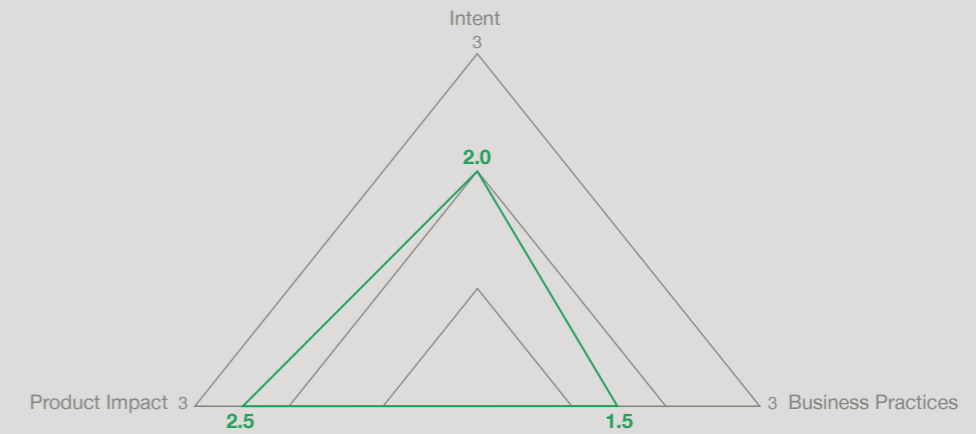


Umicore is a global materials technology and recycling group. Umicore dedicates its efforts to clean technologies, such as emission control catalysts, materials for rechargeable batteries and recycling. Umicore's ambition is to develop, produce and recycle materials in a way that fulfils its mission: materials for a better life.

Investment Case

What challenge is the Company tackling?	Climate change is the most significant challenge of our time and human activities are creating pollution in numerous forms from vehicle exhaust fumes to waste, to the detriment of land, sea and air. Umicore's businesses aim to tackle vehicle emissions and resource scarcity, contributing to a circular economy. Reducing air pollution also helps to address healthcare challenges. The World Health Organisation estimates that ambient air pollution causes 4 million premature deaths per year globally.
Is the Company's offering sufficiently different and better than the status quo?	Umicore has three core businesses: metal recycling, automotive catalysts and battery cathodes. Umicore runs the world's biggest precious metal recycling plant, which reduces the amount of wastes sent to landfills. It is one of the largest suppliers of automotive catalysts, which reduces air pollution from car exhausts. Umicore is also the leading manufacturer of battery cathode, a critical component for more environmentally friendly electricity vehicles.
Is there a committed management team? What have they done before?	Thomas Leysen, the previous CEO and current Chairman, oversaw the complete transformation of Umicore from a miner / refiner to a materials business that aims to contribute to a more sustainable future. Sustainability is now integrated into the company's strategy and Umicore is committed to innovation. It's at the forefront of battery cathode manufacturing and spends significant amount of sales on R&D. Mr Leysen is also Chairman of the King Baudouin Foundation – a Belgian charity whose mission is to contribute to a better society by being an actor for change and innovation.
How does the Company treat stakeholders?	Umicore has sourced cobalt ethically since 2004 and is a good example of how acting sustainably pays off in the long run, as more and more companies are placing stringent requirements on their supply chain. Umicore was also part of the pioneering first wave of companies to publish an integrated annual report, back in 2006 and its disclosures are excellent both in context and data. With regards to employees, equal recruitment across the workplace is problematic however the fact that they are collecting data shows a thoughtfulness and commitment to getting it right.
Is there a potential to create a profitable and defendable business?	Metal recycling is a profitable business with high returns. Umicore's competitive advantage comes from scale, which enables it to recover greater amounts of materials. In automotive catalysts, competitive advantage comes from materials know-how and sticky customer relationships. For battery cathodes, competitive advantage is still emerging but it's likely to be based on a combination of technology, scale and relationships with automotive OEMs. Umicore is winning over 30% of all new contracts for automotive battery cathodes. In the long-term, Umicore could close-the-loop of the battery supply chain through recycling.
Is the business attractively valued?	The metal recycling and automotive catalysts business should continue to grow on the back of regulatory and consumer pressures for a cleaner environment. However, the growth prospects become truly exciting when we look at the battery cathode business. Today, the penetration of electric vehicles is only around 1% of global car sales. This is likely to increase significantly over the next decades which should translate to high growth rate for battery cathodes. Overall, Umicore's revenue could grow at a mid-to high-teen pace over the next decade. For that, we are asked to pay 25x forward earnings, which seems attractive.

Impact Analysis



Product Impact

Umicore has high product impact in the context of Positive Change holdings. The breadth and depth of impact are both impressive and its criticality to a circular approach is likely to be increasingly important over time, particularly in the context of electrification.

Intent

Umicore has undertaken a significant reorganisation of the business and has made significant investments to drive its strategy for materials for the low carbon and circular economy.

Business Practices

Challenges around safety appear to be at the more substantial end of things, albeit offset by positives elsewhere, such as fully integrated sustainability across the business.

	Relevant Targets	Relevant Products
3 GOOD HEALTH AND WELL-BEING 	Target 3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	Umicore's catalysts are used in car exhaust systems to filter out the toxic chemicals in the emissions.
11 SUSTAINABLE CITIES AND COMMUNITIES 	Target 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	Umicore's recycling facilities process 200 different types of raw materials and have an annual capacity of 350,000 tons. In addition, Umicore produces cathode materials which are used in the batteries of electric vehicles.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	Target 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment Target 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	Umicore's recycling and catalyst divisions help to reduce waste generation and release of chemicals into the air.
13 CLIMATE ACTION 	With reference to UN Framework Convention on Climate Change	Umicore's cathode materials are used in electric vehicles and energy storage systems which help to reduce climate change impact on human activities.

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