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Umicore SA to Provide Update on COVID-19 Impact Call

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PRESENTATION

Marc Grynberg ***Umicore SA - CEO & Executive Director***
Good afternoon, everyone, and welcome to this conference call. On March 26, we provided you with the first view of the impact of the COVID-19 pandemic on Umicore. The purpose of the call today is to provide an update of what we have seen and done since our last communication at the end of March. As we have explained in the press release, which was issued this morning, the purpose is also to answer any questions you may have. We're all facing obviously exceptional and very difficult circumstances. The coronavirus is having a huge impact on our society and my thoughts go first of all to all those most affected by the crisis. I also wish to express my deep respect to everyone who is fighting this pandemic in the front line and who is selflessly committed to the well-being of all of us every day.

I would also like to say a special word of thanks to all Umicore employees. I'm deeply impressed by their discipline and the hard work they have put in to ensure that our working environment can remain safe and healthy. It is through their dedication that we can continue our business and continue to serve our customers. I, therefore, wish to expressly thank them for their engagement.

Since the COVID-19 outbreak, our top priority at Umicore has been the health and safety of our employees. As of the end of January, we introduced strict hygiene and other precautionary measures, starting with our facilities in Asia, which were the first to be affected; then later in the rest of the world. Measures includes social distancing, home working wherever possible, and systematic disinfection of workplaces. Strict medical protocols were also introduced in case of suspected contamination and our health professionals are providing invaluable assistance to those who need it. A dedicated task force is working to monitor operations on a daily basis to protect our employees' health and contain further

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spread of the virus. Thanks to the early implementation of such measures, the number of infected employees at Umicore has so far remained extremely limited. In addition to protecting our employees, we are committed to mitigating the impact of COVID-19 on Umicore's results as much as possible and to taking measures needed to limit our expenditures. For example, where necessary, we quickly adjusted our production, which also meant unfortunately that we placed some of our employees on temporary unemployment with 10% approximately today on furlough. We continue to support all colleagues, including those who are temporarily out of work, and hope to welcome everyone back again very soon.

We have also reexamined our investments across our activities and postponed them where possible. We now expect our capital expenditures in 2020 to be around EUR 400 million to EUR 450 million, which is well below the 2019 level and also well below the spending we had initially planned for 2020. The Board of Directors has also proposed to reduce the dividend for the full year 2019 to EUR 0.375 per share, which actually corresponds to the amount of the interim dividend that was already paid out in August 2019.

Umicore is financially healthy and has a strong balance sheet with no less than EUR 1.2 billion in readily available cash, providing a strong buffer in the current uncertain times. Umicore’s debt also has a balanced and well spread maturity profile with no major maturity before 2023. Nevertheless, in this uncertain market context, it is important that we take these precautions to maintain the financial strength of our company.

Before the full effect of COVID-19 was felt, Umicore produced a strong performance in the first quarter of the year, well ahead of the equivalent period in 2019. This performance primarily reflects a strong contribution from the Recycling business group, where all business units contributed to the results. Precious Metals Refining benefited from supportive supply conditions and favorable metal prices. Trading conditions for precious metals and certain platinum group metals were favorable in our Precious Metals Management unit, while Jewelry & Industrial Metals benefited from strong demand for gold investment products and gold recycling services.

Both Catalysis and Energy & Surface Technologies also made a good start to the year with the Automotive Catalysts and Rechargable Battery Materials businesses outperforming the car market in the first quarter. Unfortunately, the outbreak and further spread of the virus first lead to a significant contraction of the car market in China in February, then in other key regions such as Europe and the United States from mid-March and that impact was also felt in Umicore's Automotive Catalysts and Battery Materials businesses.

I suppose that it has by now evident to all observers that the automotive industry has been severely hit by the COVID-19 crisis with car production down by 25% year-on-year in the first quarter.

The impact differs from region to region, depending on the state of the pandemic. In China, where car production fell drastically by 80% in February at the time of corona peak, the situation has improved somewhat in the meantime. But car production in March was still 45% below the 2019 level. This decrease was even more pronounced in the Electric Vehicle segment, which was 57% below 2019 levels.

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Demand in the world's largest car market remains weak and high stocks in dealerships mean that a rapid recovery of production in China seems unlikely today.

In other key regions such as Europe and North America, where the virus is currently spreading or peaking, automakers have been forced to shut down assembly lines in recent weeks under the lockdown measures imposed by national governments. As a result, in March, the number of cars produced in Europe fell by 45%, and in the U.S., by 30% compared with 2019. For April, we assume that there was hardly any production in either regions. However, demand also fell considerably as end users do not immediately buy new cars in times of recession and especially (and that will be fairly obvious) when car dealerships are temporarily closed.

In Europe, car production is restarting, albeit cautiously, at some manufacturers, and we expect a similar trend in mid-May in the United States. However, even if car production is resumed on a larger scale and the lockdown measures are lifted, we do not expect consumer demand for cars to recover quickly as the purchasing power of end users may be affected by COVID-19 and the ensuing recession. Umicore, therefore, currently expects car production for 2020 to be about a quarter lower than 2019 levels.

Looking now at the impact of COVID-19 on our various businesses, it is clear that in the Catalysis segment, the Automotive Catalysts business and in the Energy & Surface Technologies segment, the Rechargeable Battery Materials business are most affected by the impact of COVID-19.
After being affected in China around the Lunar New Year period, Umicore has had to temporarily shut down its catalysts manufacturing plants in regions outside China, Japan and Korea since late March, since our vehicle manufacture customers shut down their own production. The full global impact of the crisis on production levels and consumer demand is only expected to be felt from the second quarter. Other business units, including Precious Metals Chemistry and Cobalt & Specialty Materials are also significantly affected by the economic recession and lower market demand as a result of COVID-19.

By contrast, in the Recycling business group, the factory in Hoboken and Umicore's other recycling plants have continued to operate, subject of course to strict precautionary and hygiene measures. The Precious Metals Management business unit continues to benefit from favorable trading conditions for certain precious and platinum group metals, while the Jewelry & Industrial Metals business unit is benefiting from strong demand for recycling services and gold investment products as customers seek out a safe haven and invest in gold.

Let me now turn to the 2020 outlook.

Despite our strong start to the year, the impact of COVID-19 on the automotive industry, and therefore, on Umicore's Automotive Catalysts and Rechargeable Battery Materials businesses, would have a significant impact on our results in 2020. Based on our current assumption that global car production may decrease by about 25% in 2020 compared to last year, we expect recurring EBIT in Catalysis and Energy & Surface Technologies to be well below 2019 levels.

This impact will be partially offset by the Recycling business group. Based on the strong performance in the first quarter and the assumption of continued favorable supply conditions, recurring EBIT for

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recycling in 2020 is expected to be well above 2019 levels, assuming metal prices remain at current levels.

It is now clear that COVID-19 has a huge impact on the world economy, in particular, the car sector. However, it remains difficult to estimate the duration of the crisis and the visibility on market demand is today extremely low. It is therefore impossible to provide a reliable quantified outlook for the group in 2020 at this time. Nevertheless, we expect Umicore's recurring EBIT to be well below 2019 levels.

Umicore has demonstrated in the past that it can adapt quickly and flexibly to changing market conditions. I'm convinced that even now we have taken the right precautions and set the right priorities to get through these uncertain times without compromising our long-term strategic success, and therefore, looking forward to continuing our superior growth trajectory once this crisis is overcome. In the meantime, we'll continue to closely monitor the impact of COVID-19 on our end markets, and we undertake to inform our shareholders, according to visibility, about the impact on our activities and the measures taken at appropriate times.

With this, I would now like to open the floor to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Mubasher Chaudhry.

Mubasher Ahmed Chaudhry ***Citigroup Inc, Research Division - VP***

How should we think about the margins given the expected drop in volume? And how should we think about the EBIT drop-through from these lost volumes? That's the first question. And then the second question from a cash flow perspective. The press release talked about managing the working capital. Could you please provide some color on how we should think about that for 2020? What kind of working capital ratio you'll be anticipating?

Marc Grynberg ***Umicore SA - CEO & Executive Director***

Mubasher, let me start with the first question and then I will hand over to Filip to speak about working capital. Obviously, there will be an impact on margins as such a significant drop in volumes at our customers means a significant drop of volumes in our businesses as well. And given the level of fixed cost that we have in these hi-tech businesses, I mean, in particular, the Catalyst and the Rechargeable Battery Materials businesses, the volume drop will have a significant impact on margins, indeed.

Filip Platteeuw ***Umicore SA - CFO***

Yes. Maybe just to add that because I've seen there has been some questions on operating levers and on fixed costs, indeed. I would refer maybe if you want to have some indication to the annual report. If you look at notes 9 and 10, you have some costs details on the group in general. And that was for '19, obviously, so be careful with it. But it gives you some indications. I mean you know that we have at year-

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end on the D&A side last year, EUR 244 million of depreciation. So this year, clearly, that will increase again by, roughly, 10%. So that's also in the fixed cost side. On the working capital, I mean, extremely difficult to look to the future. Remember, when we came out with the full year results, we gave a bit of guidance for a higher working capital, really driven by higher metal prices and especially, the PGM prices. And clearly, we have seen in the first quarter, higher PGM prices and also a higher, I would say, in general, precious metal prices. So that has played a role, we had somewhat of an increase in our working capital base again, driven by those metal prices. Your question going forward is very difficult to address because as you can imagine, it is always related to to timing and that is very uncertain. You can also imagine that in the supply chains, everybody in a way faced similar challenges and so everybody is trying to optimize working capital. So I would say, unfortunately, you have to bear with us because we don't have the visibility today to make any reasonable assessments on working capital going forward. So far, we've this increase, but driven by metal prices.

Mubasher Ahmed Chaudhry ***Citigroup Inc, Research Division - VP***
And if I may, just one more on Hoboken. You said that Hoboken is currently operational. And if I was to think about it from a year-on-year perspective, from a utilization perspective related to the extended shutdown last year. Has Hoboken had higher utilizations compared to last year? Or is it at lower levels given the demand and then in part, from social distancing. Maybe some comments around that? At what ratios, it is currently operational at?

Marc Grynberg ***Umicore SA - CEO & Executive Director***
Actually, Hoboken is working at a higher level of utilization, despite the hygiene measures that have been introduced. We managed to realize the improvement that we said we would realize, indeed. So it's a very high utilization rate and had a high contribution to our performance so far in the group.

Operator
Your next question comes from the line of Mutlu Gundogan.

Mutlu Gundogan ***ABN AMRO Bank N.V., Research Division - Analyst***
Marc and Filip, two question, if I may. First is on your expansion program in battery materials. Do you still think you can reach the 60 gigawatt of cathode material capacity by mid-2021? That's the first question. And then secondly, also other players have been expanding capacity while demand for EVs has come down. So there is probably some overcapacity right now in the market. What are you seeing in terms of price development? Is there price pressure? If so, how significant is that?

Marc Grynberg ***Umicore SA - CEO & Executive Director***
I can start with the second question because it's pretty straightforward. Our sales are already priced. It's based on long-term contracts. So the current situation has no impact on prices. The impact on margins that I referred to earlier is coming from the volume and the leverage effect only. And in terms of capacity expansion, I think we should probably reserve that for a later occasion because let's see first how the market develops. The visibility today is so poor that I would probably not want to venture there. We continuously adjust due to market conditions, and I think it would be somewhat premature to confirm or

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not confirm any such targets.

Operator

Your next question comes from the line of Gunther Zechmann of Bernstein.

Gunther Zechmann ***Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst***

My question is on one of your competitors which reported 15% volume growth in Q1. Are you able to say, if you're holding your market share in the Catalysis market, at least in the first quarter? Second question is on the CapEx side. How much of this reduced CapEx, now EUR 400 million to EUR 450 million, would you say is still growth CapEx? And how much is maintenance Capex?

And then thirdly -- a more technical question. The furloughed staff, are you paying any top ups in terms of wages towards them that would maybe a cost to you? Or is that all covered by the government?

Marc Grynberg ***Umicore SA - CEO & Executive Director***

Gunther, let me start with the third question. Yes, we're topping up some of the government allowances because I want to make sure that those of our colleagues who are the hardest hit by the crisis because they are on temporary unemployment still make a decent income and stay engaged with the company. So indeed, we do that.The reason I started off by thanking the Umicore employees for their engagement is that I see an amazing level of engagement in the company and the hard work to go through the crisis. And I'm really grateful to our employees for keeping up the morale and keeping up the operations in the manner they do today.

In terms of CapEx, the vast majority of what we have now in the expectation is indeed growth CapEx. Of course, some maintenance CapEx is still there. It's not always easy to make a clear cut between maintenance CapEx and growth CapEx because every time we do, I would say, replacement CapEx, we seek improvements or expansion as part of that, but the vast majority is growth. And there is one category of CapEx expenditures on which we are not making any cash, that's all the CapEx related to environment, health and safety. So this being said, the vast majority is growth.

And then last, in reverse order, let me go to your first question. I haven't seen any of our competitors in Catalysis publishing any figures for Q1. As far as I know, Umicore is first in line to come with publications, whether it's now at Q1 or half year or full year, always. And this time was no exception. So I'm trying to understand where 15% reference comes from.

Gunther Zechmann ***Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst***

Maybe just to clarify, Marc, 15% comes from BASF's results this morning in the Catalysis division. And in the call, they commented that their equivalent of the Automotive Catalysts business performed very well.

Marc Grynberg ***Umicore SA - CEO & Executive Director***

Their Catalysts division is in no way comparable to ours because it includes many things that are unrelated to emission control catalysis for the Automotive industry. So I'm afraid that this is not a

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benchmark that we can use, and I cannot make any comments on that. Suffice to say that as we mentioned it in the press release that we were off to a very good start in Automotive Catalysts and that we outperformed the car market in the first quarter of the year.

Operator
And your next question comes from the line of Charles Bentley.

Charles Bentley, *Crédit Suisse*
So firstly, when you recalled Q4, it seems that completing the Poland plant is vested on a CapEx level, at least equal to, if not in excess of the EUR 550 million last year. Does that mean that Poland essentially can't complete this year?

Secondly, so if I look at the release today versus a month ago, you have a cash position that's EUR 200 million more favorable. And is this essentially a working capital inflow between those 2 points in time? And I guess, if pricing has been a negative, that would mean the volume has been a strong positive inflow. And therefore, kind of from here, as your customers start to ramp back up, you would expect a working capital outflow. I'm not asking for you to give a number, I'm just trying to understand that basically, this is the point where you've seen a significant inflow or not on a volume basis?

And then finally, what's your current budgeting expectations around capital volumes for this year? Are you assuming they're up, they're flat, they're down? And whether you can give an indication of year-to-date? China has obviously been more challenging, Europe's been quite strong.

Marc Grynberg *Umicore SA - CEO & Executive Director*
Charles, let me start with the third question, and no, we're not giving any detailed guidance. And again, I have to repeat and insist on the fact that market visibility today is absolutely in-existing. And I don't think it would be wise to venture into a precise guidance. I mean if I have to put it in another way, if our automotive customers do not know what to expect for the rest of 2020, how could I venture into making this kind of detailed forecast? Market visibility is not there. I will let Filip comment on your second question, but I would like to come back to the first question about CapEx. The construction in Poland is ongoing. Remember, we are building the plants on the back of existing contracts. So we'll have to deliver on-time. And so the construction is ongoing, and the CapEx cuts are spread across units, across the activities, again, with the only exception being for environmental health and safety capital expenditures. But if I can reassure you the construction of the plant in Poland is ongoing.

Filip Platteeuw *Umicore SA - CFO*
So Charles, for the EUR 200 million increase versus the last release, really we're not referring to any underlying cash flow. It was more to say that the immediate cash availability, so I would say, the short-term liquidity of the group has further improved, increased versus that release. And that increase became basically from additional committed credit lines that we have been able to secure. So it's really a message of comfort that the short-term liquidity has increased and that from our broad banking relationship group we receive full support. It was not so much referring to underlying cash flow growth.

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So on working capital, as I mentioned, compared to the end of last year, we've seen an increase driven by the metal prices. And to answer your question, do we now already see a major inflow of cash from that, no. That is not the case. This was more to reinforce the message that in terms of short-term liquidity, we're very comfortable and have increased our position.

Operator

Your next question comes from the line of Chetan Udeshi.

Chetan Udeshi ***JP Morgan Chase & Co, Research Division - Research Analyst***

Just maybe a couple of questions. If it's easier, Marc, if you can give us color at all on how to think about, say, if you have a 1-month shutdown in Catalysis or across the group in Automotive. Any, say, view on what is the earnings impact you are taking on EBIT basis that means in terms of quantification?

And second question was, are you seeing any slowdown in terms of customer activity on qualification or road map in the next few years? What's happening right now? This is, of course, related to more on Rechargeable Battery Materials.

Marc Grynberg ***Umicore SA - CEO & Executive Director***

Chetan, no, I'm not ready to give details about the earnings impact of a month's shutdown. Obviously, it is sizable because this is a relatively high fixed cost business. So it's painful. I'm not going to quantify that. Do we see delays in qualification in the Rechargeable Battery Materials? I have to say, to a certain extent, yes. For practical reasons, I would say travel restrictions. During a certain period of time, not being allowed to come to the plant or not being allowed to interact to et cetera, whether it's on the research side, on the testing side, on the line qualification side. So the mobility restrictions create a certain tactical difficulty to keep all the qualification programs on the original schedule. The roadmap, in a way, is unchanged in terms of the programs for which we are in the process of qualifying. It is just, indeed, some practical delays due to the restrictions here. We see that.

Operator

And your next question comes from the line of Sebastian Bray.

Sebastian Christian Bray ***Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst***

I would have two, please. One on the recycling segments, one on Automotive cathodes. The first one on recycling. Could you provide an update on how much of gold, palladium prices have been locked in for 2021? I imagined that specifically at current gold prices certain hedges have been introduced?

Second question on Automotive cathodes. Can I just check a comment on the pricing. So if I'm understanding correctly, the pricing looks as if it will be flat year-on-year. Can you help us on some level of certainty around volumes? And am I right in saying that the majority of -- the vast majority of the Umicore's volumes as produced in 2020 are covered by take or pay? And does this include ones not disclosed like the LG and Samsung contracts were.

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Marc Grynberg ***Umicore SA - CEO & Executive Director***
Filip, do you want to start with the hedges?

Filip Platteeuw ***Umicore SA - CFO***
Sure. The hedges -- remember, in February, we already mentioned that -- and we're really talking Precious Metals hedging that we had significant hedges already in place for 2020 and partly for 2021. We have, since then, since the beginning of February increased some of these hedges, indeed. Also by now, obviously, for this year, we have 3 months behind us. The message on the hedging is that, for the precious metals, indeed, certainly for this year and partly for next year, we have the large majority. And we're talking about gold, we're talking about palladium and partly also platinum. We have that indeed locked in. The only exception, and I want to repeat it because it's important, it's obviously the rhodium price. Because rhodium is not hedgeable or efficiently hedgeable. So yes, we have increased somewhat our positions so the large majority of 2020 and a portion of 2021 is hedged.

Marc Grynberg ***Umicore SA - CEO & Executive Director***
Sebastian, could you put yourself on mute because we hear background noise.

So let me go to your other question that was the cathode market. Maybe I misunderstood your comment, and if that's the case, please forgive me. But I didn't say that the prices were flat. I said that prices are unaffected for us, unaffected by the COVID-19 crisis and the possibility that there would be idle capacity in the market because that's right, which we're seeing today and next year, et cetera, are defined -- were defined by contracts and entered into in prior periods. So there are not subject to, I would say, short-term fluctuations in the supply and demand balance in the market rates. And beyond that, again, I think it would be premature to comment on where this would be this year. And that's why I think it makes sense at this point in time to share with you where wesee the automotive market, in general, going. And we'll have to fine tune these assumptions in -- over the course of the next few weeks and few months when visibility becomes better.

Sebastian Christian Bray ***Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst***
Do you have any comments in particular on expected market share? Or is it too early at this stage?

Marc Grynberg ***Umicore SA - CEO & Executive Director***
No. Again, for the same reason, I think it would be to -- I mean, I would find it difficult to make comments on market share. I don't see any reason why market shares would move in a material manner either way as I would say, the qualification programs and qualification road maps are pretty much unaffected by the current situation, safe for the temporary effect that I mentioned previously of the practical impossibility sometimes of meeting and interacting by new lines.

Operator
And your next question comes from the line of Geoff Haire of UBS.

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Geoff Haire -
I just have 2 questions. First one on the Catalysis business. This business – what is the risk that the Catalysis business could be also loss-making at the EBIT level in Q2?

And secondly, I was just wondering, if we get back to a more normal economic environment in 2021 or 2022, would the implication be that the CapEx level goes back to what you were expecting at the beginning of this year?

Marc Grynberg ***Umicore SA - CEO & Executive Director***
Hi Geoff, since we're not publishing quarterly results, I don't think it would make sense for us to provide a quarterly guidance on what the Catalysis results could be in Q2. So I don't want to do that.

And...

Geoff Haire -
But I'm trying to get what the probability would be, not what the guidance is. I mean that's what I'm trying to understand. The comments it made on fixed cost.

Marc Grynberg ***Umicore SA - CEO & Executive Director***
Actually, I'm not going to answer that question. This is not the information we're willing to give. I think it's also quite sensitive from a commercial and competitive point of view. So I don't think it would serve us to do that.

Then, yes, the question about future CapEx is really a tough one in the current circumstances because if we speak today I have a hard time considering what the new normal will be -- when things will get back to normal, either in 2021 or 2022. So I still have to figure out what normal will mean at that point in time. And -- so I think there is a good chance that the CapEx will -- would go back up again, but I cannot actually quantify by how much or by which margin. It would go back up again because most of the, I would say, the savings that we have today or the volumes that we have now this year in terms of CapEx, are things that we're pushing out. We -- there are not many things that we are canceling. There are a lot of project that we are rescheduling instead. So I would say, without being able to give any idea or indication of by which margin, I would say, yes, there would be a great chance that CapEx would go back up again once things get back to normal or closer to normal and of course, subject to being able to define what normal is.

Operator
And your next question comes from Christoph .

Unidentified Analyst -
You stated in the statements that you said that the EBIT for Catalysis and Energy & Surface Technologies, you're going to be well below the EBIT level of last year. Would you dare say that they would still be positive? Or would that be too bold a statement?

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And the second question would be on the supply chain. Have you had any discussions in which your clients and suppliers noticed that there would be some shift in the supply chain and that they would like to bring this closer to or reschedule or rearrange these in any way? I'm not sure how supply chain can (inaudible) already close to customers, but have there been any such discussions there you've noticed of some kind of deglobalization? Or is double lines in your supply chain?

Marc Grynberg ***Umicore SA - CEO & Executive Director***

Yes. I think you would need to help us and clarify what you mean with your second question. And -- but in the meantime, let me answer that. Yes, at this stage, we only want to say that we're well below the 2019 level. So again, I think it's -- the visibility is such that there is no point in trying to quantify the guidance.

Then on second question. Christoph, can you repeat the question, maybe try to clarify what you wanted to get at.

Unidentified Analyst -

Well, sort of -- as we see now that they try to -- I guess your supply chains are now, for instance, at some of the products that you make in Europe or come from supply chains in Korea and other places. Do you see that there is a tendency that your supply -- your customers are asking to have them closer to home and that they sort of want to have because if they look at Asia again, and there is no parts flying and things like that. I mean we've also seen a couple of companies that supply chains are more disruptive because there is -- it's difficult to find space on the shipping planes. And then to have the -- in order to have some supply closer to home, second batch of supply closer to home. I think Melexis have done it in a way. I know it's a very different sector, but they did it in a way that coal companies want to have a bit of a double lineup of supply and have some batches in the inventory closer to home than they have had in the past. So have you had any discussion on the just-in-time supply change that might be in place today.

Marc Grynberg ***Umicore SA - CEO & Executive Director***

No, for the simple reason that we already have it in place. And whether you look at our Catalyst business or other businesses, we produce where the customers need us to produce. So it's not like that we have a huge production hubs in 1 or 2 countries serving the entire world. We produce in China for China. We produce in Europe for Europe. We produce in North America for North America. We produce in Brazil for South America, and in India for India, and Southeast Asia, et cetera, et cetera. So we're not so much affected by this type of request or trends because we -- in a way, we have always made the choice -- it's part of our business philosophy to produce in the close proximity, in the close vicinity of where our customers are, where our markets are. And if you look at, for instance, the -- for Catalysts, it's quite a well-established element. If you look at Battery Materials, will be the first player in the industry to have production capabilities in 3 key regions for EVs, while all of our competitors in that space have manufacturing capabilities in a single region. So not a topic for us, a topic for probably several of our customers. And this being said, it will not be easy for automotive supply chain to adjust completely to

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what we described, which I think is legitimate. But I think it will be complicated because if you look at -- I mean, a car is made of more than 10,000 components. And so I think it would be an illusion to think that all 10,000 components can be made in 20 different locations around the world to serve 20 different big production centers.

Operator
And your next question comes from Jean-Baptiste Roland.

Jean-Baptiste Henri Rolland ***BofA Merrill Lynch, Research Division - Associate***
I would have two, please. You were saying that visibility on volumes in cathode material is pretty much inexistent. At the same time, you stated that you have to deliver volumes for your -- from your Polish plant on time. I thought your contracts were meant to start pretty soon .however, with LG Chem and Samsung, but pretty much the majority of the portion of these contracts were actually stemming from your Polish plant. So I was just wondering if you could clarify if I mean misunderstood anything here.

And then second question on the competitive market in Asia for cathode materials and also catalyst. Do you expect to see any -- I know you talked about market share not being affected currently, but will you expect some competitors which are not necessarily as well funded as you are with a weaker balance sheet to actually potentially be forced out of the market simply by issues related to the -- to leverage balance sheet and et cetera?

Marc Grynberg ***Umicore SA - CEO & Executive Director***
Jean-Baptiste, so the -- for now, I don't see many changes in competitive landscape, but it's probably early days -- too early days for that to happen. So I cannot totally rule it out, especially in the battery space where you have a lot of, I would say, companies maybe with -- not a lot. We have a number of companies that may not have a very, I would say, a strong balance sheet, indeed. But again, too early to tell.

In terms of the cathode material production. Let me clarify that our plant in Poland is due to come on stream towards the end of the year and to start commissioning at that point in time. So there is no change to that. Indeed, the contracts are indeed -- the contracts you referred to are, indeed, in place already this year. And for deliveries other locations than Poland because Poland is only coming on stream at the end of the year. So there is no change there to the contractual configuration.

Operator
Any your next question comes from the line of Georgina Iwamoto of Goldman Sachs.

Georgina Iwamoto ***Goldman Sachs Group Inc., Research Division - Associate***
My first question is on your expectations for EV penetration rates? You have been very clear that you expect materially lower overall auto production number for this year. But how do you think about the kind of relative volume in terms of -- sorry, in terms of combustion engines, electric vehicles. Do you think that actually, you are seeing materially negatively both tariffs or on electric vehicles, that one might

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be more pronounced than the other.

And then I have a question, just in terms of your customers in RBM, the 2 kind of very well known ones have recently lowered their revenue growth accounts for EV batteries, but they still expect high double-digit growth this year. Is there a particular reason for the discrepancy in the kind of growth outlooks from Umicore versus its customers.

And then final question, just quickly on recycling. I was just wondering if you could give some idea if you've seen a change in mix in the first quarter and versus the end of last year?

Marc Grynberg ***Umicore SA - CEO & Executive Director***
So let me start with your questions in reverse order. So no, there is a change in the mix compared to what we processed towards the end of last year. The mix is very supportive. We have a high proportion of very complex materials, end of light materials, catalysts, electronic scrap and other complex materials rich in precious metals. And so no, the mix is really fairly -- continues to be good and continues to be in line with the comments we made towards the end of last year.

Then about the -- yes, the statements made by one of our customers and our statements about the outlook. I only made an outlook about the automotive industry in a way. So -- and today, we don't have -- and actually I'm answering both your first and your second question at a time in a way. I don't have granularity in terms of the market outlook and what the engine mix may look like for this year. I think it's a really complicated situation in the sense that our customers themselves -- our automotive customers themselves have no view because for the time being, consumers are simply not buying cars or not in the mood to think about buying cars. So it's difficult for car companies to make out what the overall volumes and what the mix may look like going forward. And this has repercussions on the value chains, whether it's the catalysts or the EV batteries value chains. And so I cannot make a lot of comments about my customers' comments. I can only repeat that the visibility today is at its lowest, and I find it impossible to make any sensible forecast about the mix for the time being.

Operator
At this stage, we will take 2 further questions. And your next question comes from the line of Wim Hoste.

Wim Hoste ***KBC Securities NV, Research Division - Executive Director Research***
Also 2 questions from my side. First, on recycling in Hoboken. Can you offer us a little bit additional clarity on how much visibility you have for that business? How much material, for example, is already on site? How many months can you work with that? Or how sure are you that the material on its way and will come in? So that's the first question.

And the second one is, yes, on the dividend policy, you canceled the final dividends. But what does that mean for the dividend outlook? Is that temporary cancelation? Do you expect to resume very shortly with the EUR 0.375 once a bit more visibility on economy emerges? Any clarity on that will also be appreciated.

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Marc Grynberg ***Umicore SA - CEO & Executive Director***
So typically, we have approximately 6 months of visibility for the, I would say, the supply in Hoboken, taking into account a combination of material that is already at the plant side material that is on its way, and I would say, supply contracts that are confirmed. So we have -- I mean, it's enough estimation, but just to give you a rough idea. We have quite a good visibility there.

Yes, the second question is difficult because I think it would be, again, premature to make any pronouncements about the dividend for the next steps in terms of dividends. It's not like we absolutely had to cancel the, what you call it, the advance of the dividend, the final dividend of EUR 0.375. I mean we have the financial strength, and it's not like we have liquidity issues or we were stretched and could not pay out -- we could not pay it out. It's just a matter of precaution because the visibility grow, the uncertainty is high. And we are, yes, quite highly exposed to a sector which is hard hit by the crisis, the automotive sector. So we thought that this was the right precaution to take. And in addition, because we have such a fearful impact on unemployment, we also wanted to show that there is a degree of solidarity and social cohesion that is required for the company to navigate. These are trying times and that's why we thought that the shareholders should share the efforts together with the employees and management. But unfortunately, in the current circumstances, I cannot provide a view of what the Board's position will be on the next steps in that respect. And you'll have to bear with us, most likely until the end of July, when the Board meets again, and will have to make a pronouncement about the dividend or an interim.

Operator
And your last question comes from Edward Donohue.

Edward Donohue -
A couple from my side. And just to get an idea on the production sites. Are all your production sites up and running? How many are actually closed? And then just with regard to the 10% of employees who are on government schemes, where are they actually sitting on those government schemes, which geographies? And how long do they run for?

Marc Grynberg ***Umicore SA - CEO & Executive Director***
Edward, so we have -- as we mentioned, we have closed -- we have temporarily closed production capacity and in Automotive Catalysts. So we have closed some of our plants outside of, in Automotive Catalysts again, outside of China, Korea and Japan. For the simple reason that the automotive industry for our customers have shut down their assembly lines outside of China, Korea and Japan. So this is the -- with a few exceptions, I would say, these are the areas where we have people on the government schemes for temporary unemployment. This is in countries like -- in regions like Europe, North America in some other regions like India, et cetera, South Africa and South America. So where basically the Automotive Catalysts plants are not running because the customers have shut down their assembly line. It's pretty aligned.

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Edward Donohue -
Okay. And how long do you actually have the support on the government schemes for? Because a number of them are actually sort of like quite tight at this particular juncture with regard to the runoffs?

Marc Grynberg ***Umicore SA - CEO & Executive Director***
Actually, where we do have them, it's -- they are not limited -- not strictly limited in time, of course. Governments and companies alike hope that this will be for a limited period of time. And our signs of hope, there is light at the end of the tunnel. We see some European car makers restarting or starting to resume production gradually in certain countries in Europe. We may expect the same to occur in some of the regions once these regions will be past the pandemic peak. So hopefully, it will be for a limited period of time, but in most places, we don't have a strict limit.

Edward Donohue -
Right. Okay. And then just with regard to the region that has opened up, the Asiatic region. What level of utilization are you seeing in your plant as of now, as of in April as we've moved on from the closed off period?

Marc Grynberg ***Umicore SA - CEO & Executive Director***
Well, I mean you have to look at the market statistics about the car production in these regions, and then you will figure out, I would say, you will have an indication of where we are. We are basically moving in line with market in these regions as well.

Edward Donohue -
So if I take those statistics...

Marc Grynberg ***Umicore SA - CEO & Executive Director***
As I mentioned, the recovery is not that quick in countries that are past the peak because there is still a degree of fragility in the economy and in consumer behaviors. So you should expect that it will take a bit of time for demand to recover in those countries, which are on the way to normalization after the peak.

Edward Donohue -
Okay. And last point, I mean, I take your statements at the beginning with regard to the employee base and the support and flexibility. But I'm also thinking that as you -- if I take those statistics in the regions that are now reopened. The utilization of your plant is significantly suboptimal, and you also won't be getting the government support programs that might have existed in those areas, if they were. What do you do with regard to the cost structure there?

Marc Grynberg ***Umicore SA - CEO & Executive Director***
What do you mean?

Edward Donohue -
Well how -- yes, the under recovery that you'll be getting as you're actually ramping up? Do you -- I mean

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do you -- trying to get an idea of the flexibility you have now on that cost side?

Marc Grynberg ***Umicore SA - CEO & Executive Director***

Well, again, as I mentioned on previous -- on answering previous questions, we have a certain level of fixed cost, and Filip also gave some indications of where to look for quantifications in our annual report. And I mean it's not because we have a temporary shutdown that we don't have these fixed costs. I mean depreciation charges continue to run and some of the overheads continue to be there. We cannot decide not to pay the people who are working because the utilization is less than planned or less than optimal. So the flexibility is, as what I described it, it's on where we have placed people on that temporary unemployment. The flexibility is on the CapEx side where we can decide to cancel or postpone project, but we cannot decide not to pay our bills.

Operator

There are no further questions.

Marc Grynberg ***Umicore SA - CEO & Executive Director***

Sorry, I was anticipating already a little bit -- sorry about that. So with this, I would like to close the call for today, and thank you for your participation and invite you to raise further questions that you may have directly to our Investor Relations team. And despite the very peculiar circumstances, I would like to wish you a good long weekend for those who will have a possibility to somewhat enjoy the Labor Day holiday -- public holiday tomorrow. And of course, I wish everyone to stay healthy and to keep well. Thank you for now, and bye-bye.

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