

JOHNSON ELECTRIC HOLDINGS LIMITED

FY2017/18

Interim Results

January 2018



innovating motion

Group Overview

Strategy & Outlook

FY2017/18 Dec Quarter

Key Financial Highlights

Operational Results

Acquired Businesses

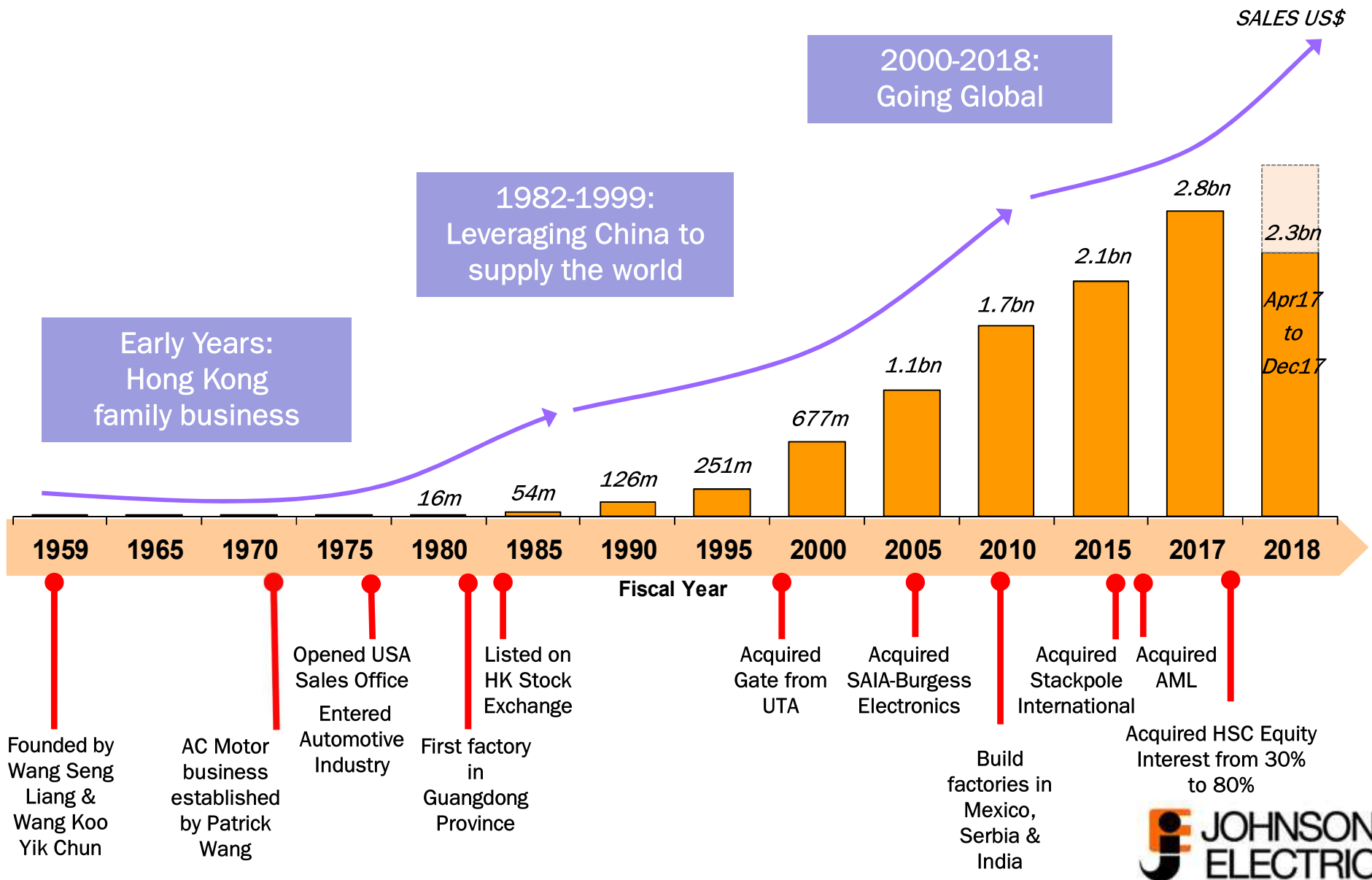
Appendix

Johnson Electric: Overview

- A global leader in electric motors, actuators, motion subsystems and related electro-mechanical components
- Serving a broad range of industries including Automotive, Smart Metering, Home Automation, Ventilation, White Goods, Medical Devices, Business Equipment, Power Tools, and Lawn & Garden Equipment
- Over 40,000 employees in more than 20 countries
- Listed on The Stock Exchange of Hong Kong since 1984



History & Development



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Why Invest in Johnson Electric

1. Innovative motion solutions to consumers' needs today – and for the future
2. **Globally diversified sales and world-class customer base**
3. **Global operating footprint**
4. **Strongly positioned in China**
5. **Winning market traction for sustainable growth**

Innovative Solutions for Today and the Future

Applications for our motion technologies continue to grow



Transportation

- Subsystems and components that enable electrification, optimize thermal management, and provide comfort and safety



Lifestyle

- Motion solutions for automated windows, robotic equipment, cordless power tools, and single-serve coffee machines



Healthcare

- Medical device subsystems for improved patient outcomes
- Surgical devices; vital signs monitoring



Energy

- Disconnect solutions for smart electricity and gas meters



Security

- Subsystems for airborne imaging
- Digital security solutions for Bank Cards and Point of Sale equipment

Innovative Solutions for Transportation

Performing critical functions across all vehicle propulsion types

Enabling Electrification & Reducing Emissions

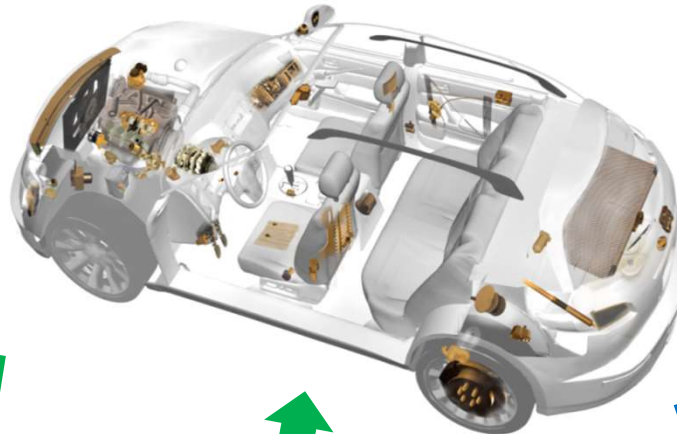
➤ Engine

- Electric Turbo ● ▲
- Valvetrain ● ▲
- DEF Pump ● ▲
- Fuel Pump ● ▲
- Electric Oil Pump ● ▲
- ETC ● ▲
- EGR ● ▲

➤ Drivetrain

- DCT/AMT ● ▲
- AWD Disconnect ● ▲
- Electric Parklock ● ▲ ⚡
- Electric Oil Pump ● ▲ ⚡
- Gear shifter ▲ ⚡

Johnson Electric's Automotive Product Applications



➤ Chassis

- Braking (EPB / ESC) ● ▲ ⚡
- Electric Vacuum Pump ● ▲ ⚡
- Electric Power Steering ● ▲ ⚡
- E-leveling ● ▲ ⚡
- iBooster / Brake-by-wire ● ▲ ⚡
- PM Suspension Parts ● ▲ ⚡

Ensuring Comfort & Safety

- Lighting Actuators ● ▲ ⚡
- HVAC Actuators ● ▲ ⚡
- Window Lifts ● ▲ ⚡
- Lumbar Support ● ▲ ⚡
- Seat Motors ● ▲ ⚡
- Door Lock Motors ● ▲ ⚡
- Sun-Roof Motors ● ▲ ⚡
- Powerlift Gate Motors ● ▲ ⚡

Optimizing Thermal Management

- Cooling Fan Module ● ▲ ⚡
- Coolant Valve ● ▲ ⚡
- Electric Water Pump ● ▲ ⚡
- Electric Air Pump ● ▲ ⚡
- Electric Oil Pump ● ▲ ⚡

Product Application by Propulsion Type

● ICE ▲ Hybrid ⚡ Electric

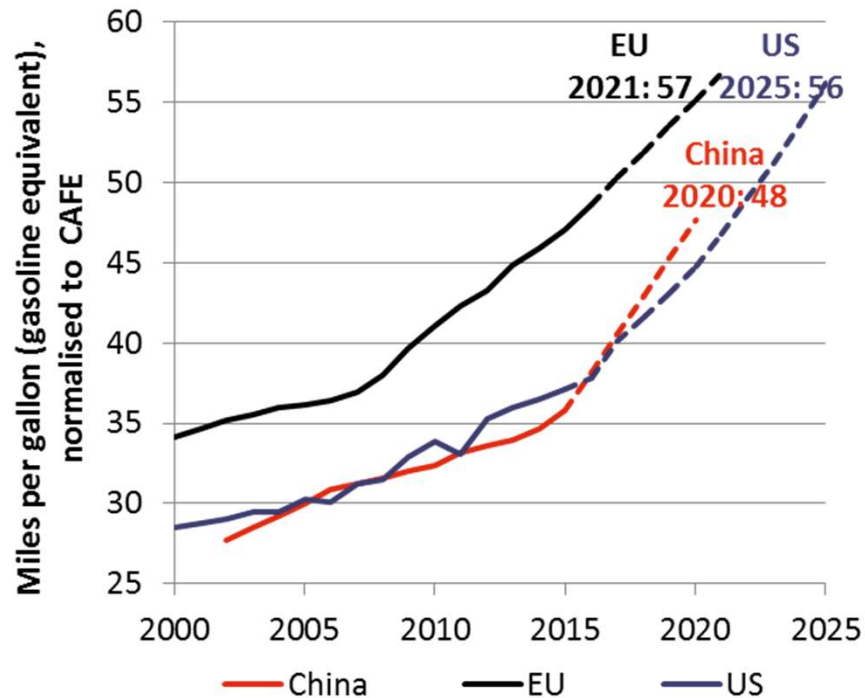


innovating motion

Trends in Automotive

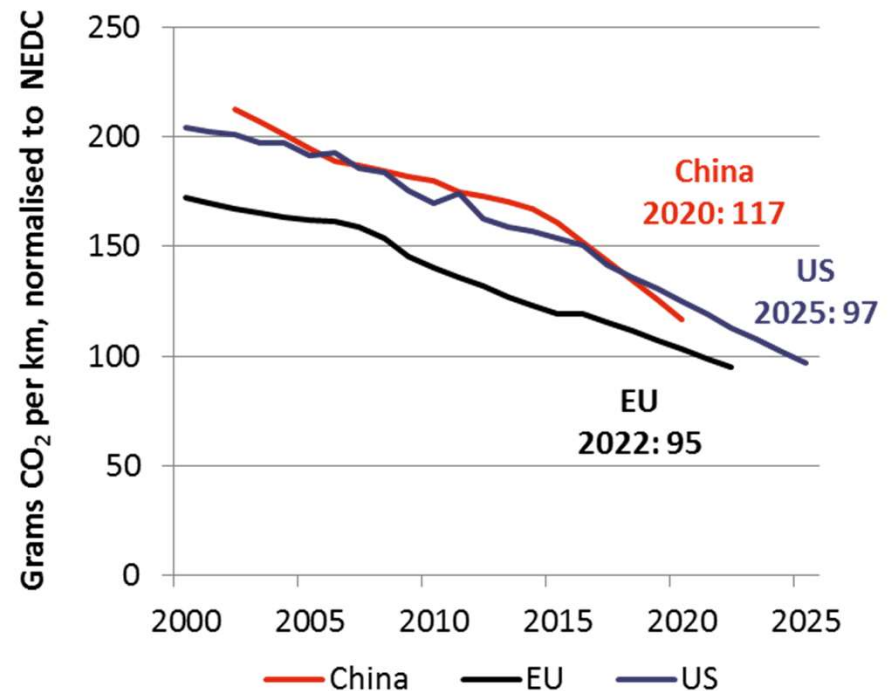
FUEL ECONOMY

Passenger car miles per gallon, normalized to CAFE



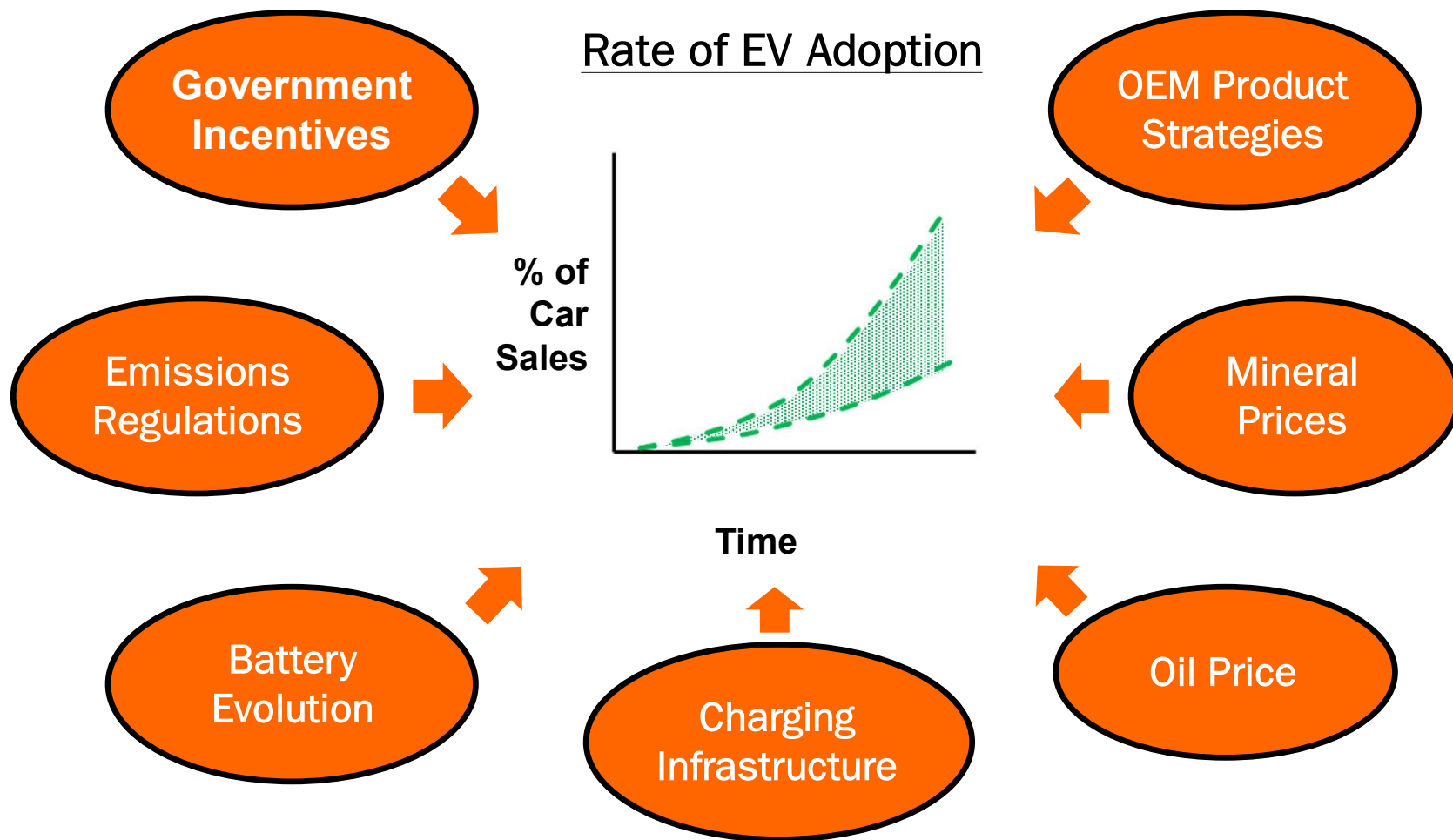
EMISSIONS

Passenger car CO₂ emissions and fuel consumption, normalized to NEDC



Source: International Council on Clean Transportation - Sep 2015
<http://www.theicct.org/global-pv-standards-chart-library>

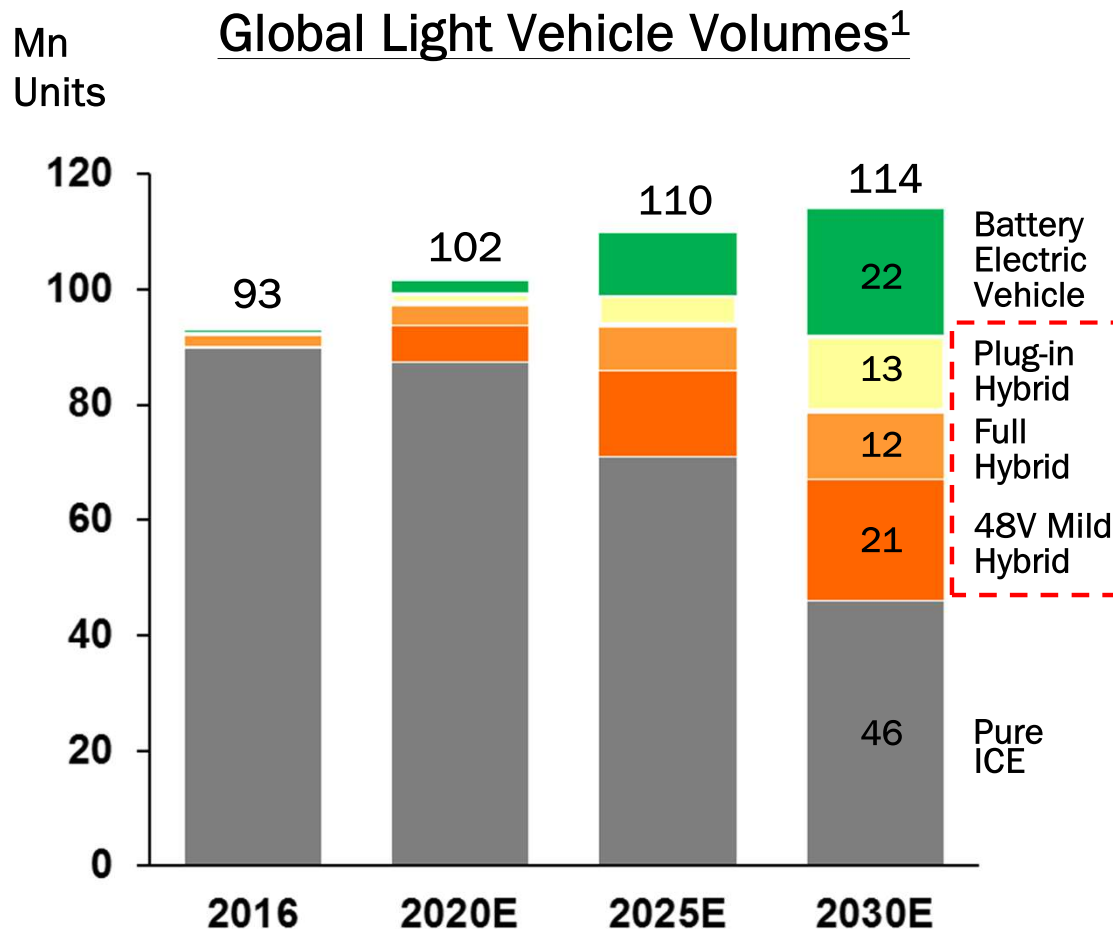
Many Factors will Impact Actual EV Uptake



Source: Media and Analyst Reports; JE Analysis

Hybrids to play a Key Role in Medium Term

Hybrid volumes projected to exceed EVs for next 10-15 years

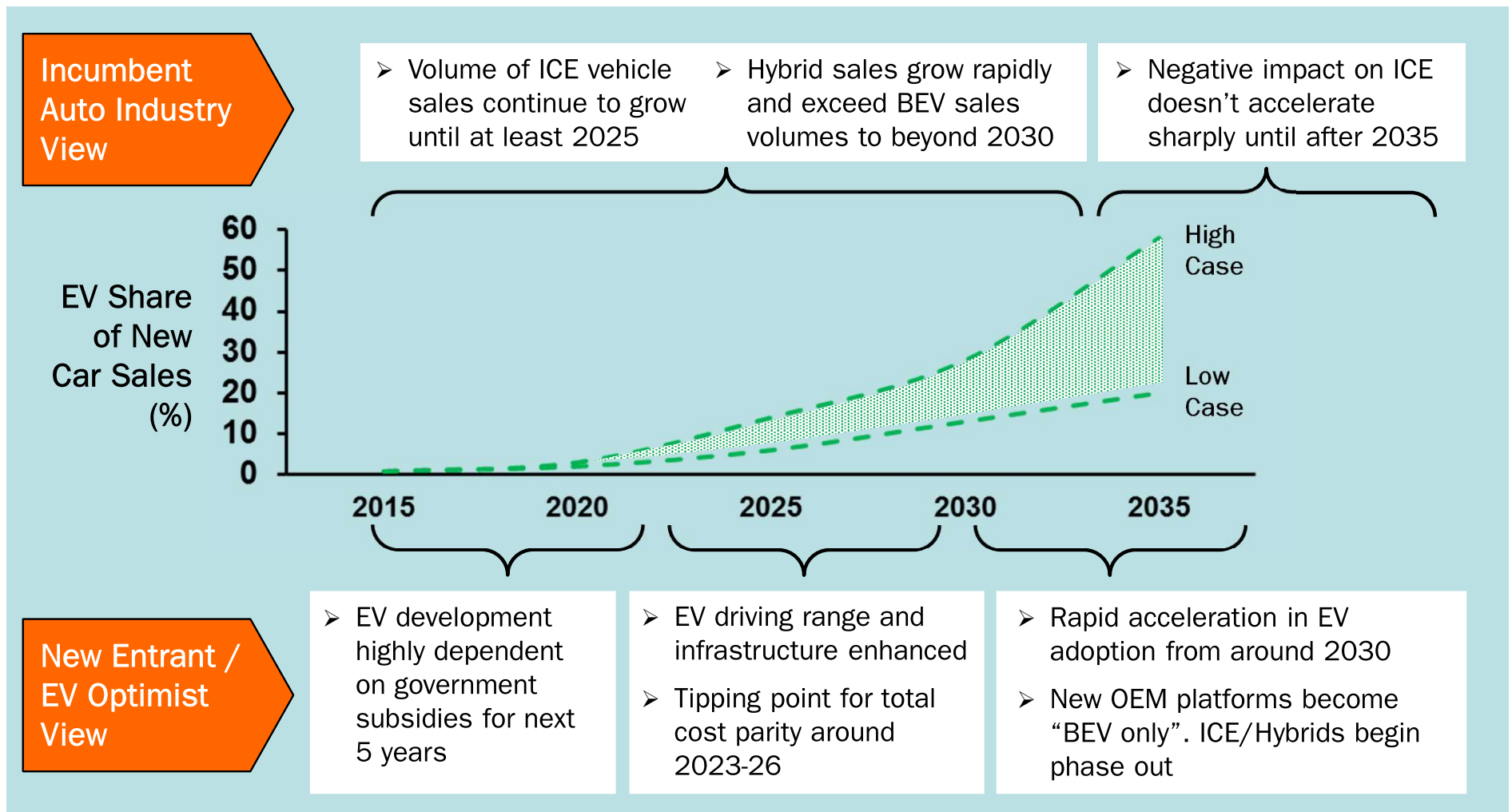


- Many industry players see hybrids growing rapidly and taking a larger share of the market than BEVs through to at least 2030
 - ▶ Offer a near term fix to the critical CO₂ emissions regulatory challenge
 - ▶ BEVs lack the energy to power emerging digitally-enabled, autonomous cars

¹ Light vehicle production volume estimates including light trucks
Source: Continental AG; IHS; Media and Analyst reports

Longer Term Auto Industry Evolution

Wide divergence of opinion on the eventual phasing out of ICE



Source: Media and Analyst Reports; JE Analysis

Hybrids & EVs – Growing Demand of Cooling Fan Modules (CFMs)

- ▶ All powertrains need to be cooled down. Heat is moved to front cooling pack by several cooling systems with growing complexity
- ▶ CFMs are required on all Hybrids & EVs to cope with the increasing power density of powertrains
- ▶ As 48 volt and autonomous features become more standard, cooling requirements will increase
- ▶ Heavy-duty vehicles, traditionally equipped with mechanical driven fans, will introduce more electric driven CFMs on their hybrid powertrains
- ▶ JE offers:
 - ▶ cost-effective solutions for entry level applications technologies
 - ▶ Extra-performance solutions for higher end segments, which promote hybridization as premium feature

Hybrids & EVs – Programs Adopting JE's CFMs

- ▶ 2011 Renault Kangoo electric
- ▶ 2012 Volvo V60 plug-in hybrid
- ▶ 2012 Renault Zoe
- ▶ 2013 BMW i8
- ▶ 2013 BMW i3
- ▶ 2013 RangeRover hybrid
- ▶ 2015 Volvo S60L plug-in hybrid
- ▶ 2015 Honda Clarity fuel cell
- ▶ 2016 Roewe (SAIC) e950
- ▶ 2016 MG Erx5 hybrid
- ▶ 2016 Chevrolet Malibu hybrid
- ▶ 2016 Chrysler Town&Country hybrid
- ▶ 2017 The London Taxi hybrid
- ▶ 2017 Renault Twingo and Smart electric
- ▶ 2017 Roewe (SAIC) ei6



Innovative Solutions for Industry & Consumers

Delivering the actuation function for an increasingly connected world

Touching Human Needs



Improving Performance

- More energy efficient
- Smaller and lighter
- Safer
- More controllable
- More connected

Proliferating



= Internet + Physical Objects

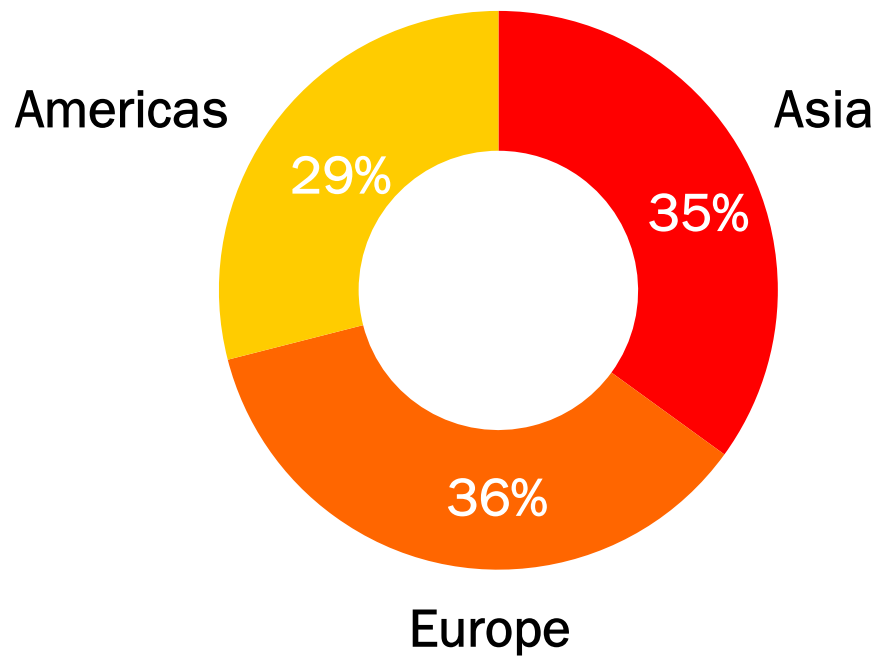
+ Sensors, Controllers

+ Actuators

Diversified Global Sales and Customer Base

Evenly balanced across the world's three major economic regions

Group Sales by Destination



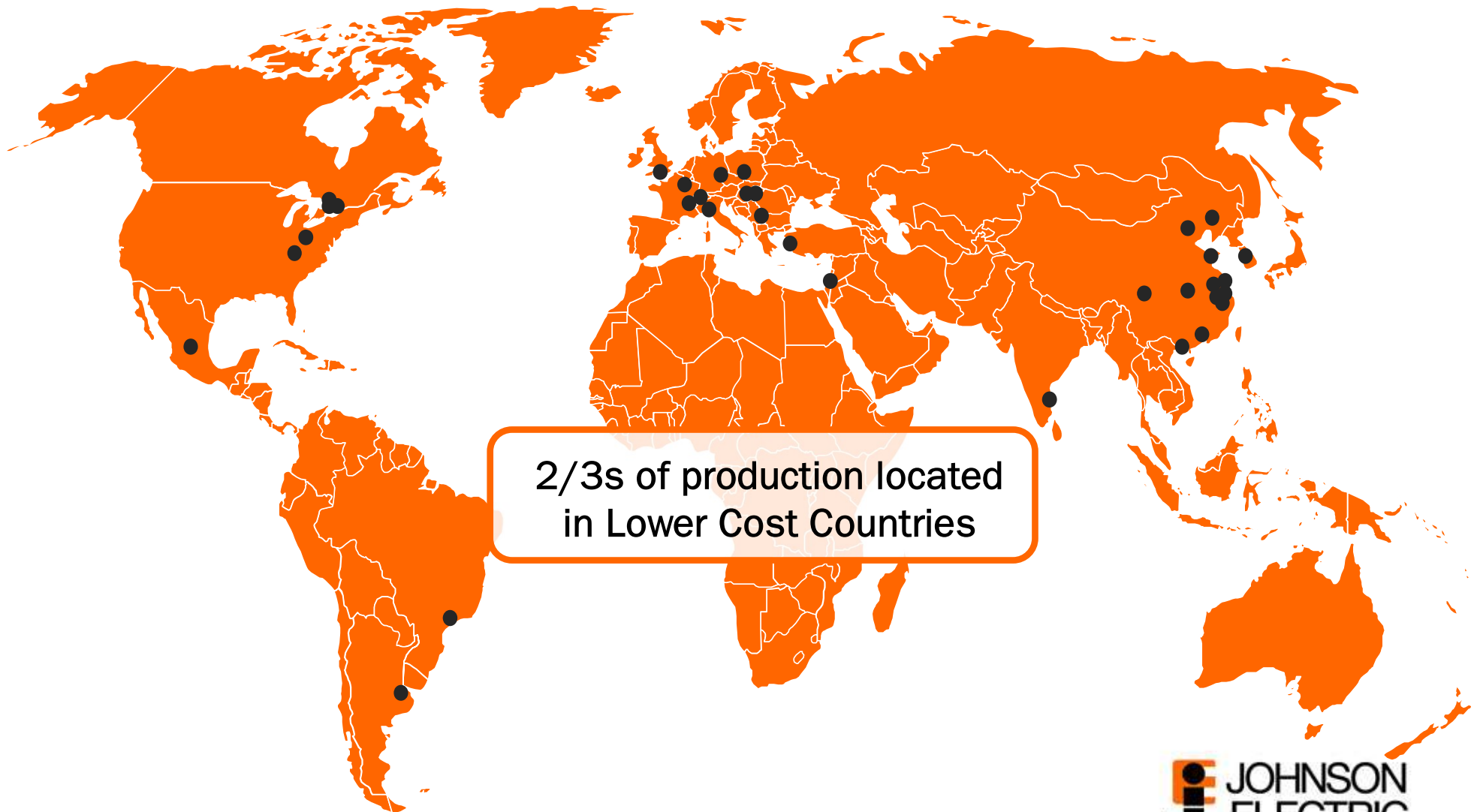
- 500 Automotive Customers
- 2000 Non-Automotive Customers

World-Class Customers *including:*



Global Operating Footprint

Manufacturing in 18 countries across 4 continents



Strongly Positioned in China

Unrivalled strength and depth in the China market

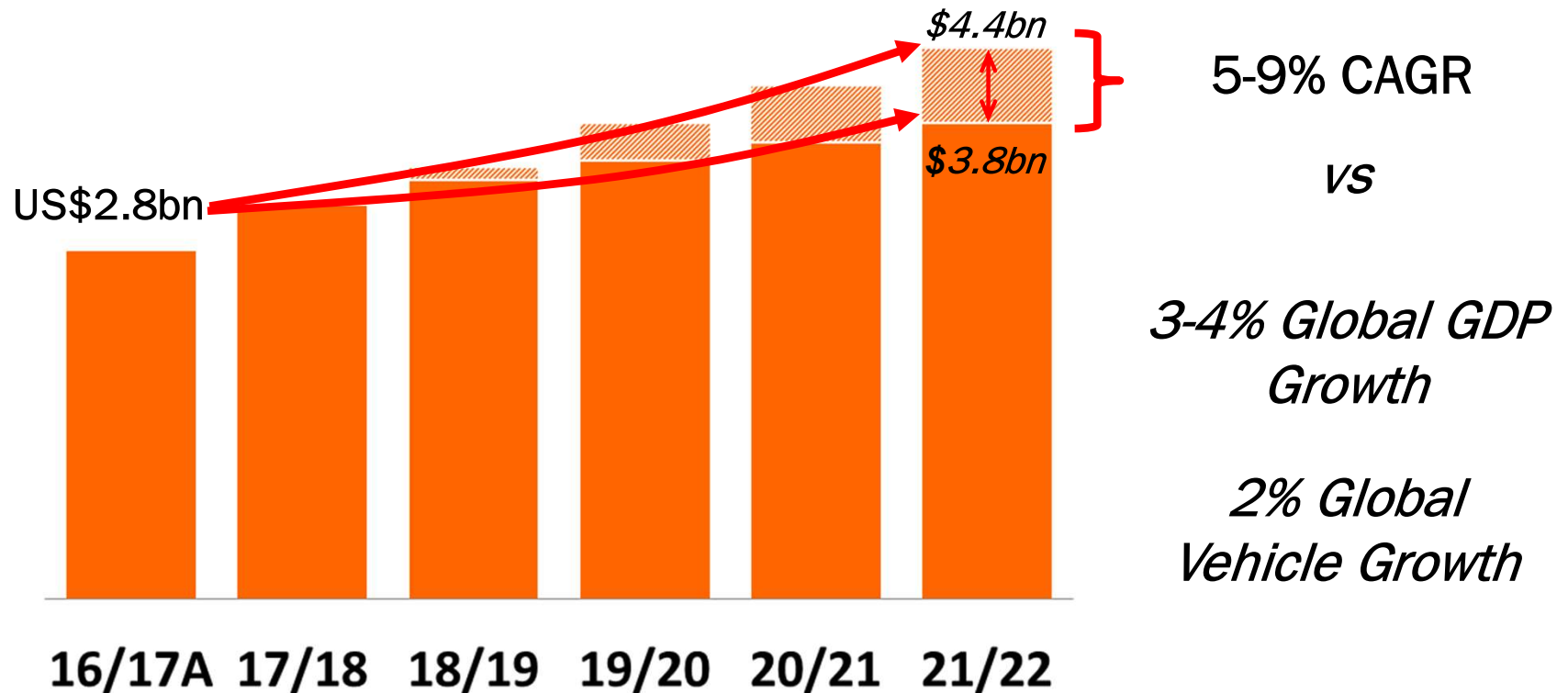


- Experience of operating in the mainland since 1982
- 30,000 employees across 16 locations
- Source of over 20% of Johnson Electric's end-market demand – and continuing to grow rapidly

Winning Market Traction

New business wins and sales trajectory set to sustain growth

Medium-Term Sales Outlook



* Estimated total Group sales outlook based on current customer order book at constant currencies and assuming no acquisitions and no macro economic cyclical downturn

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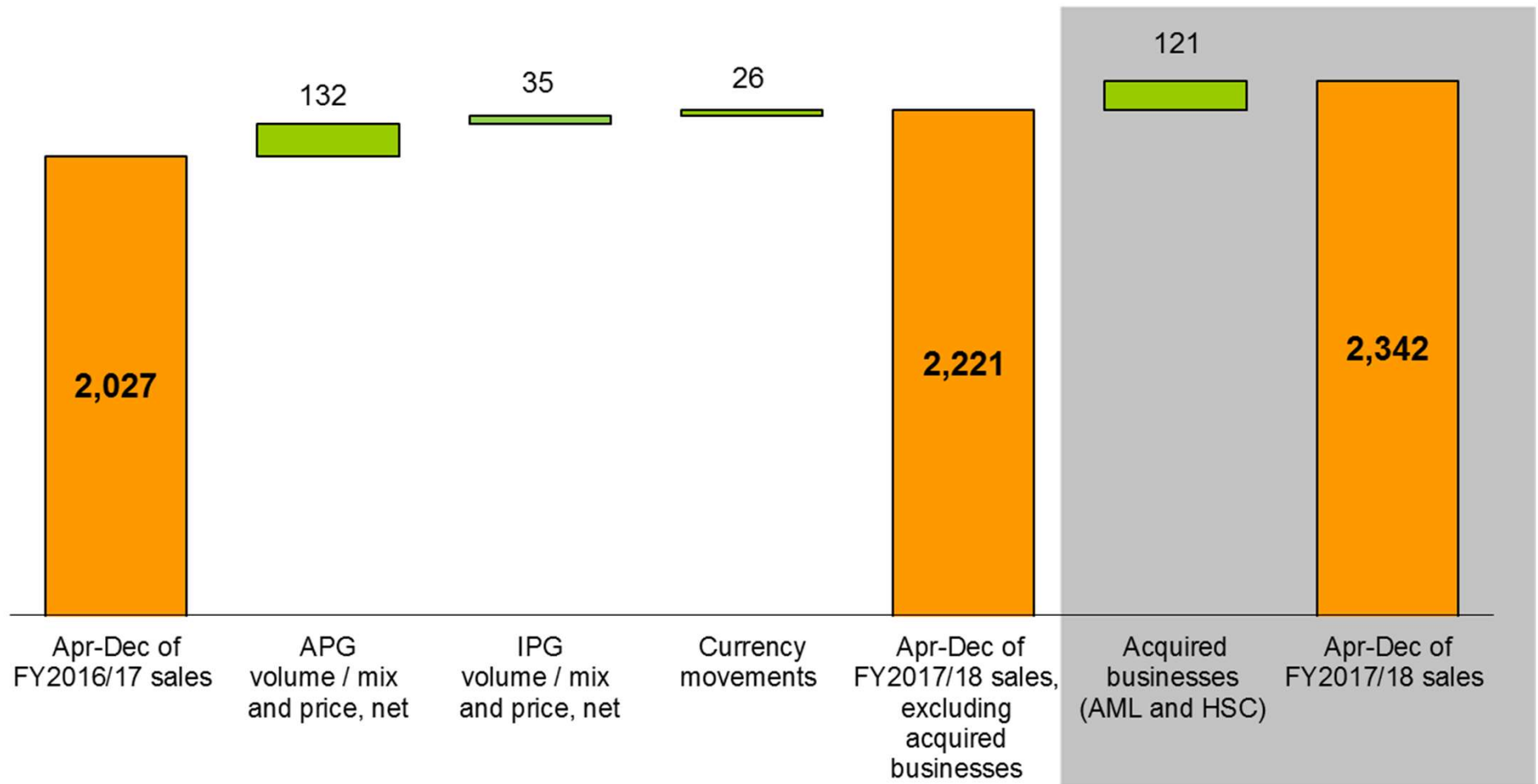
Acquired Businesses

Appendix

Sales Movements

Apr-Dec FY2017/18 vs. FY2016/17

US\$ million



Note: Numbers do not add across due to the effect of rounding

Sales Growth by Region - APG

Sales Growth/(Decline) % Excluding Acquisitions and Currency Movements

		Asia	Europe	Americas	TOTAL
FY2017/18 *	Q3	21.8%	5.8%	17.4%	14.5%
	Q2	15.3%	4.5%	2.1%	7.1%
	Q1	10.3%	1.6%	2.9%	4.5%
FY2016/17	Q4	18.4%	7.5%	6.5%	11.2%
	Q3	26.2%	(3.3%)	1.1%	7.9%
	Q2	31.2%	(1.1%)	3.0%	9.9%
	Q1	6.3%	5.0%	3.0%	5.1%
FY2015/16	Q4	5.3%	3.4%	8.1%	4.9%
	Q3	5.1%	4.5%	3.0%	4.4%
	Q2	(7.6%)	7.7%	5.2%	2.3%
	Q1	13.9%	4.5%	1.6%	6.8%

* Included Stackpole & AML (after acquisition)

Sales Growth by Region - IPG

Sales Growth/(Decline) % Excluding Currency Movements

IPG		Asia	Europe	Americas	TOTAL
FY2017/18	Q3	10.2%	1.9%	1.9%	4.9%
	Q2	7.4%	9.6%	1.0%	6.2%
	Q1	22.3%	7.9%	(0.8%)	9.8%
FY2016/17	Q4	1.7%	20.0%	(0.7%)	6.4%
	Q3	9.3%	20.9%	(1.2%)	8.6%
	Q2	7.4%	15.8%	(8.1%)	4.3%
	Q1	(5.6%)	16.3%	(3.4%)	1.5%
FY2015/16	Q4	(16.8%)	15.1%	(2.5%)	(3.7%)
	Q3	(17.2%)	6.0%	(5.2%)	(7.3%)
	Q2	(12.2%)	0.5%	1.4%	(4.5%)
	Q1	(20.9%)	10.7%	7.2%	(3.8%)

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Highlights

- ✓ **Group sales US\$1,532 million – up 12% compared to first half of the prior financial year. Excluding the impact of acquisitions and foreign exchange rate changes, sales increased by 6%**
- ✓ **EBITDA increased 15% to US\$260 million or 17.0% of sales (16.5% in prior year)**
- ✓ **Operating profit increased 15% to US\$170 million or 11.1% of sales (10.8% in prior year)**
- ✓ **Net profit attributable to shareholders up 16% to US\$140 million or 15.8 US cents per share on a fully diluted basis**
- ✓ **Total debt to capital ratio of 18% and cash reserves of US\$160 million as of 30 September 2017**
- ✓ **Interim dividend increased by 6% to 17 HK cents per share (2.18 US cents per share)**
- ✓ **Acquisition of an additional 50% interest in Halla Stackpole Corporation completed on 16 May 2017**

Financial Highlights

<i>US\$ million</i>	First half of FY2017/18 ¹	First half of FY2016/17
Sales	1,532.4	1,366.8
Gross profit	382.0	366.4
<i>Gross margin</i>	<i>24.9%</i>	<i>26.8%</i>
Profit attributable to shareholders	140.5	120.8
Diluted earnings per share (US cents)	15.80	13.69
EBITDA ²	260.2	225.3
<i>EBITDA margin</i>	<i>17.0%</i>	<i>16.5%</i>
Free cash flow from operations ³	54.0	32.5
<i>US\$ million</i>	30 Sep 2017	31 Mar 2017
Cash	160.4	127.7
Total debt ⁴	475.6	384.0
Net debt (total debt less cash)	315.2	256.3
Enterprise value ⁵	3,673.4	2,854.7
EBITDA adjusted on a proforma basis ⁶	497.2	450.5
Key Financial Ratios	30 Sep 2017	31 Mar 2017
Enterprise value to EBITDA ⁶	7.4	6.3
Free cash flow ⁶ to total debt	40%	42%
Total debt to EBITDA ⁶	1.0	0.9
Total debt and leases ⁷ to EBITDA ⁶	1.1	1.0
Total debt to capital (total equity + total debt)	18%	16%

1. First half of FY2017/18 includes 6 months' results of AML Systems ("AML") and 5 month's results of Halla Stackpole ("HSC") (first half of FY2016/17: 4½ months' results of AML Systems)
2. Earnings before interest, tax, depreciation and amortisation
3. Net cash generated from operating activities plus net interest received, less capital expenditure (net of proceeds from disposal of fixed assets) and capitalisation of engineering development costs
4. Total debt calculated as bank overdraft plus borrowings and convertible bonds (debt elements)
5. Enterprise value calculated as market capitalisation plus non-controlling interests plus total debt less cash
6. EBITDA and free cash flow from operations were annualised using the last 12 months' results (adjusted to include the last 12 month's results of Halla Stackpole and AML Systems on a pro forma basis)
7. Lease payments were discounted at 7% for this analysis with a corresponding adjustment of annual lease expense to EBITDA

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Profitability Review

1H FY2017/18 vs. 1H FY2016/17

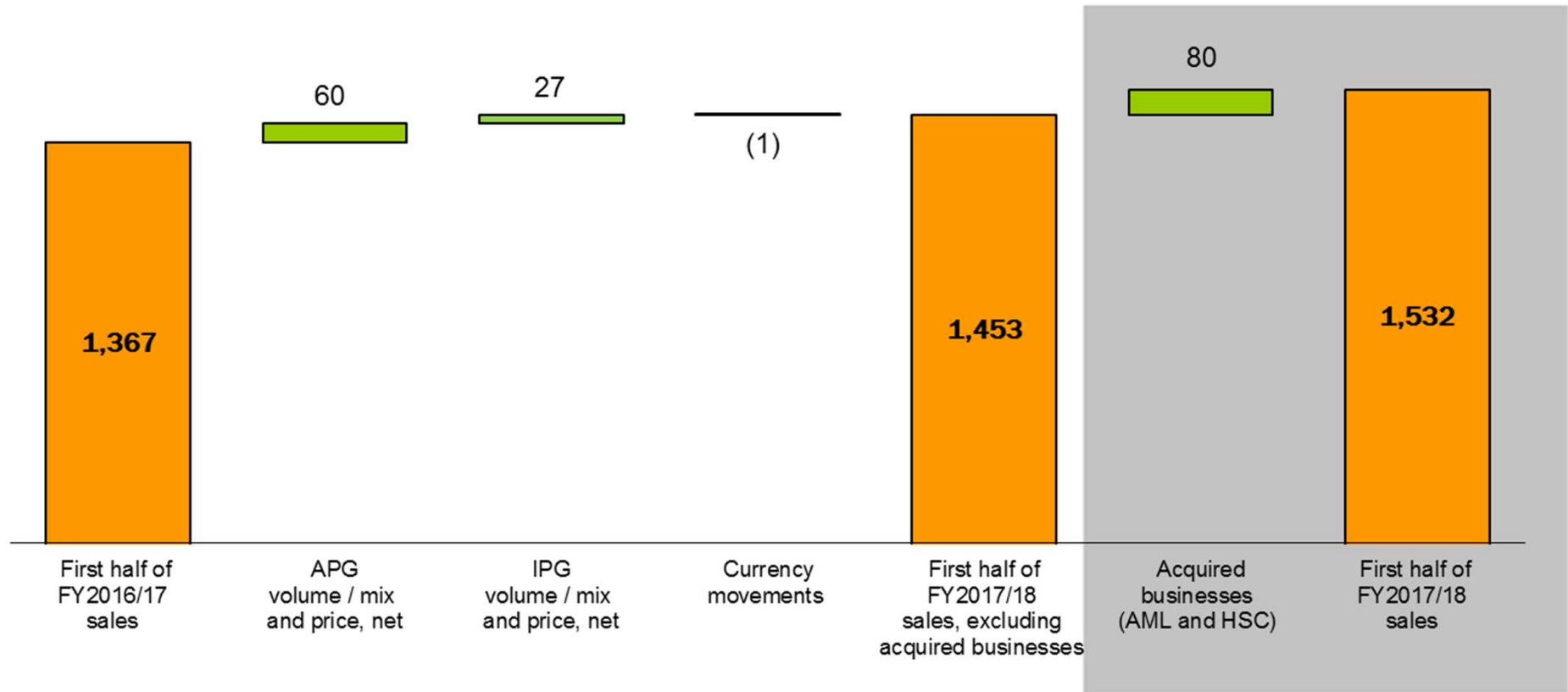
<i>US\$ million</i>	First half of FY2017/18 ¹	First half of FY2016/17	Increase / (decrease)
Sales	1,532.4	1,366.8	165.6
Gross profit	382.0	366.4	15.6
<i>Gross margin %</i>	<i>24.9%</i>	<i>26.8%</i>	
Other income and gains, net	1.4	9.7	(8.3)
Intangible assets amortisation expense	(19.8)	(18.6)	(1.2)
<i>Intangible assets amortisation expense %</i>	<i>1.3%</i>	<i>1.4%</i>	
Other selling and administrative expenses ("S&A")	(193.1)	(209.8)	16.7
<i>Other S&A %</i>	<i>12.6%</i>	<i>15.3%</i>	
Operating profit	170.5	147.7	22.8
<i>Operating profit margin %</i>	<i>11.1%</i>	<i>10.8%</i>	
Share of profit of associates	0.9	2.0	(1.1)
Net interest expense	(6.3)	(5.5)	(0.8)
Profit before income tax	165.1	144.2	20.9
Income tax expense	(19.5)	(18.5)	(1.0)
<i>Effective tax rate</i>	<i>11.8%</i>	<i>12.9%</i>	
Profit for the period	145.6	125.7	19.9
Non-controlling interests	(5.1)	(4.9)	(0.2)
Profit attributable to shareholders	140.5	120.8	19.7

1. First half of FY2017/18 includes 6 months' results of AML Systems and 5 months' results of Halla Stackpole (first half of FY2016/17: 4 ½ months' results of AML Systems)

Sales Movements

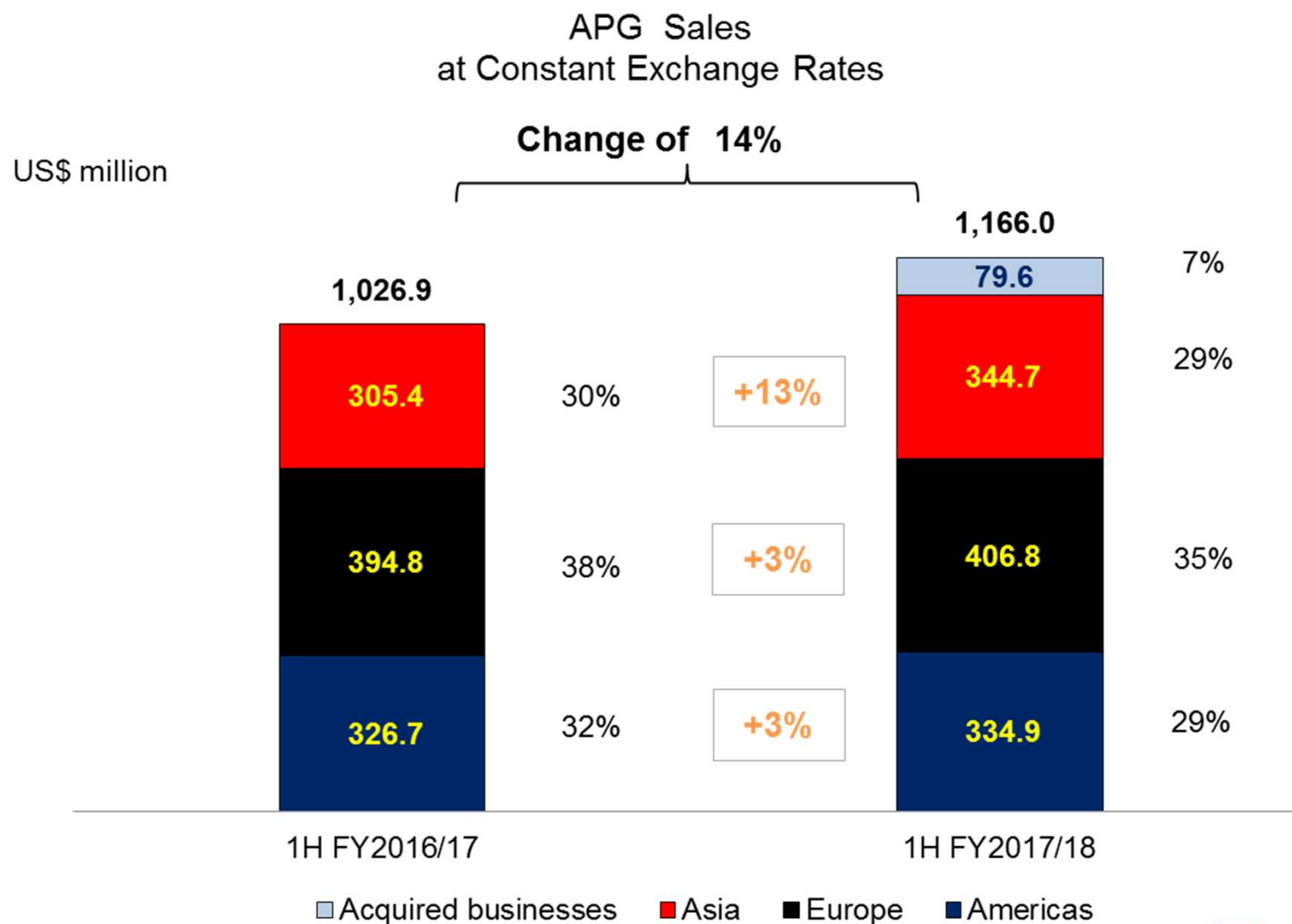
1H FY2017/18 vs. 1H FY2016/17

US\$ million



Note: Numbers do not add across due to the effect of rounding

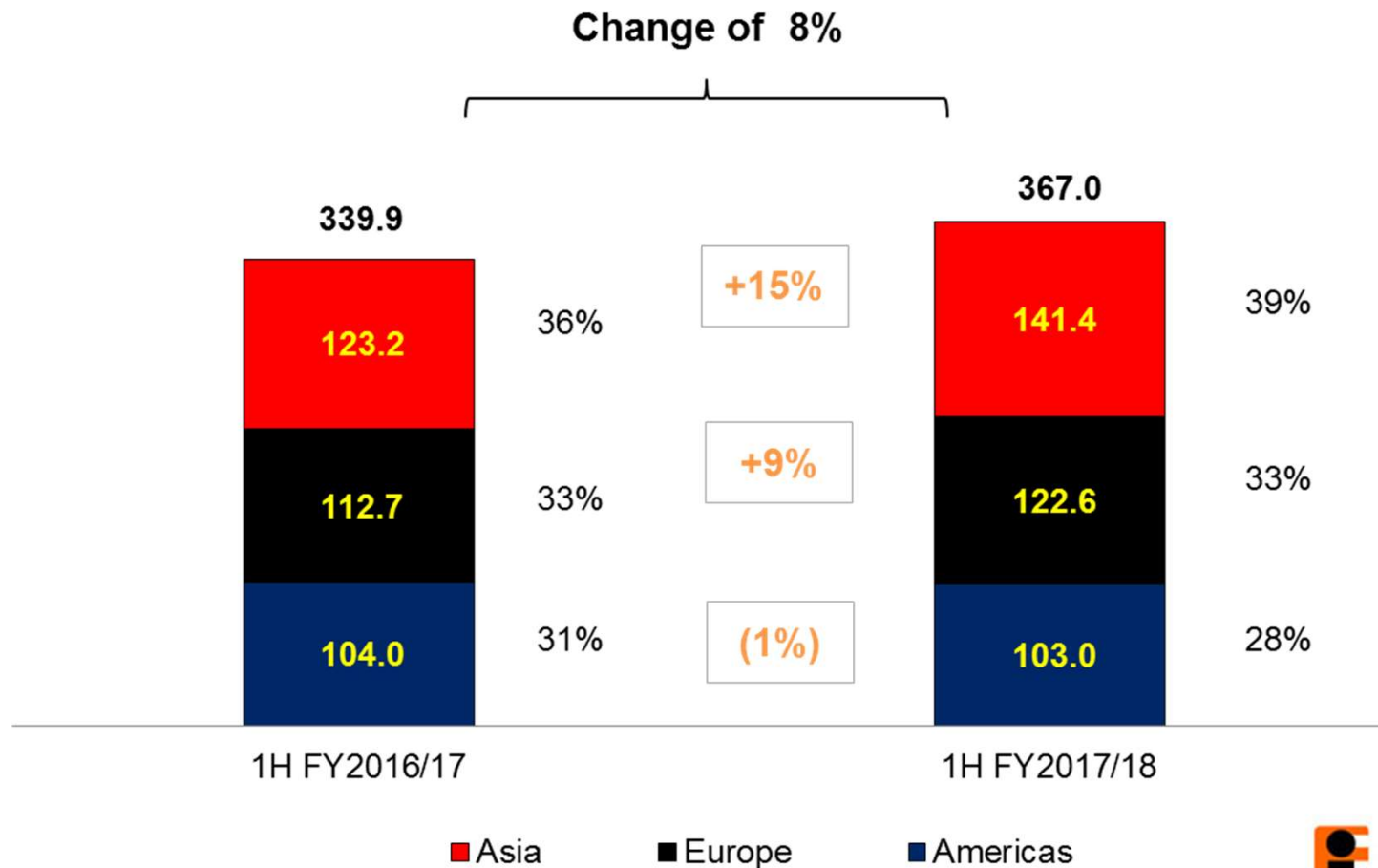
Group Sales by Business - APG



Group Sales by Business - IPG

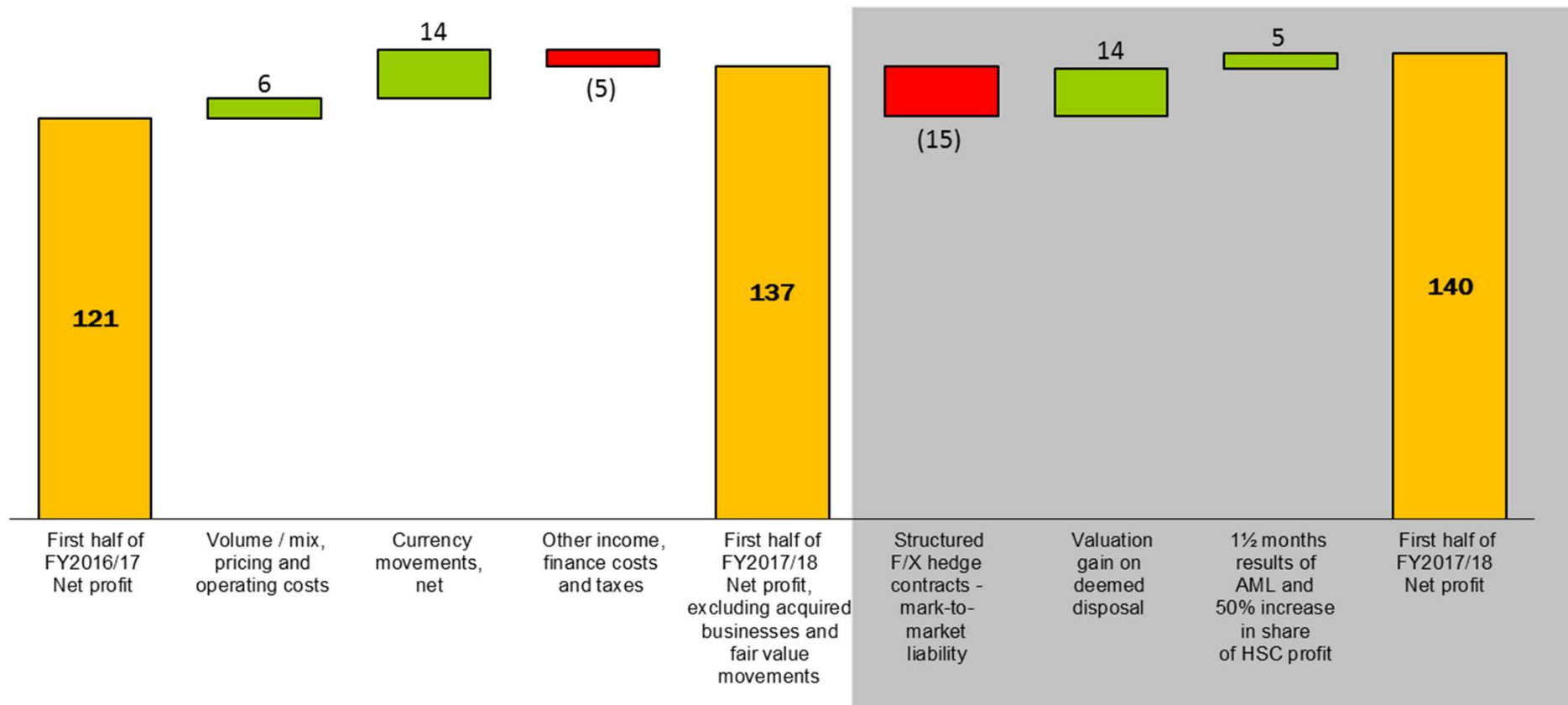
IPG Sales at Constant Exchange Rates

US\$ million



Changes in Profit Attributable to Shareholders

US\$ million



Note: Numbers do not add across due to the effect of rounding

Analysis of Cash Flow

<i>US\$ million</i>	First half of FY2017/18 ¹	First half of FY2016/17	Change
Operating profit ²	171.5	148.4	23.1
Depreciation and amortisation	88.7	76.9	11.8
EBITDA	260.2	225.3	34.9
Other non-cash items	9.7	5.2	4.5
Working capital changes	(53.3)	(39.6)	(13.7)
Interest paid	(3.7)	(3.2)	(0.5)
Income taxes paid	(23.8)	(18.9)	(4.9)
Capital expenditure, net of subsidies	(131.9)	(137.7)	5.8
Proceeds from disposal of fixed assets	0.2	4.2	(4.0)
Capitalisation of engineering development costs	(4.0)	(3.4)	(0.6)
Interest received	0.6	0.6	-
Free cash flow from operations	54.0	32.5	21.5

1. First half of FY2017/18 includes 6 months' results of AML Systems and 5 months' results of Halla Stackpole. First half of FY2016/17 includes 4 ½ months' results of AML Systems

2. Operating profit plus US\$1.0 million dividend received from associates in the first half of FY2017/18 (first half of FY2016/17: US\$0.8 million)

Other Cash Flows

<i>US\$ million</i>	First half of FY2017/18 ¹	First half of FY2016/17	Change
Free cash flow from operations	54.0	32.5	21.5
Acquisitions and related costs	(77.7)	(87.6)	9.9
Acquisition of non-controlling interests	-	(19.3)	19.3
Dividends paid	(37.7)	(37.7)	-
Other investing activities	0.1	0.2	(0.1)
Other financing activities	(0.7)	(0.9)	0.2
Borrowing proceeds	85.2	45.6	39.6
Increase / (decrease) in cash and cash equivalents (excluding currency movements)	23.2	(67.2)	90.4
Currency translation gains / (losses) on cash and cash equivalents	8.0	(1.8)	9.8
Net movement in cash and cash equivalents	31.2	(69.0)	100.2
Proceeds from bank overdrafts	1.5	6.5	(5.0)
Net movement in cash	32.7	(62.5)	95.2

1. First half of FY2017/18 includes 6 months' results of AML Systems and 5 months' results of Halla Stackpole. First half of FY2016/17 includes 4 ½ months' results of AML Systems

Dividends

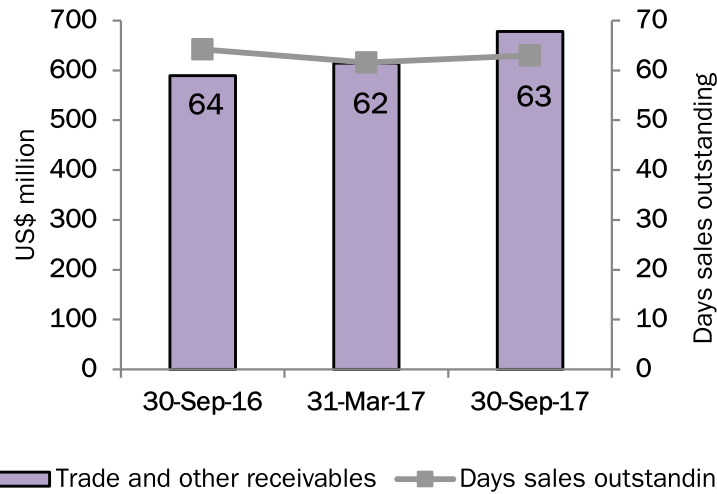
- ▶ Interim dividend increased by 6% to 17 HK cents per share for FY2017/18 compared to 16 HK cents paid for FY2016/17
- ▶ Dividend History

Financial Year	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Dividend per share (HK cents)									
Interim dividend	17.0	16.0	15.0	14.0	12.0	12.0	12.0	12.0	-
Final dividend (Proposed)	TBD*	34.0	34.0	34.0	34.0	32.0	28.0	24.0	20.0
Total dividend per share		50.0	49.0	48.0	46.0	44.0	40.0	36.0	20.0

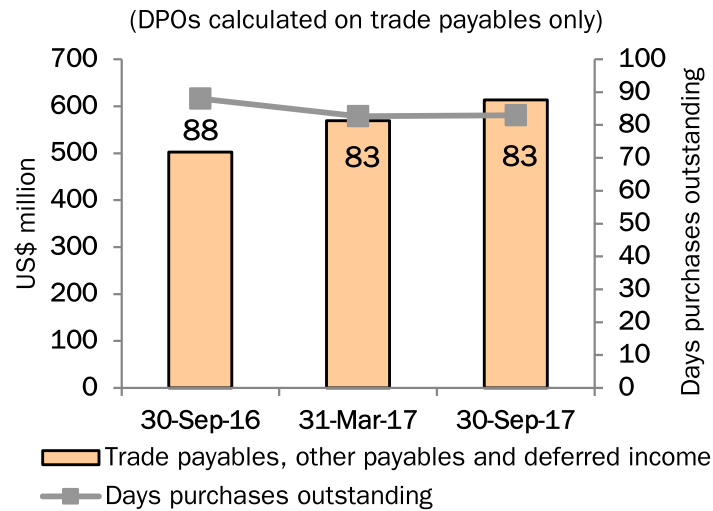
*TBD – To be determined

Working Capital & CAPEX

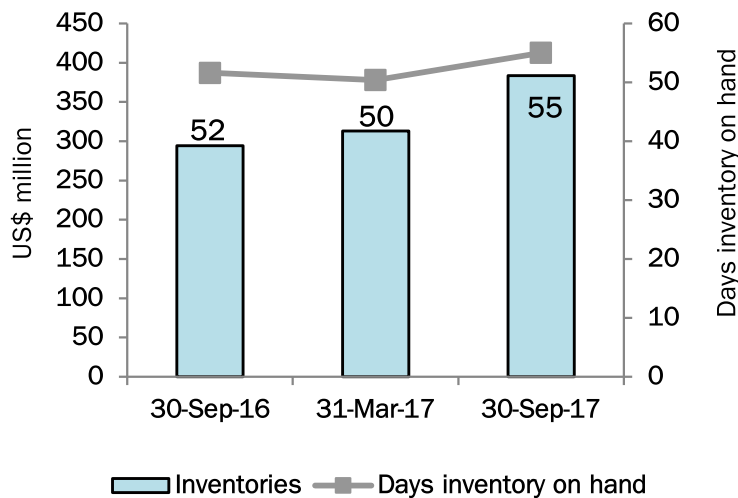
Trade and other receivables
(DSOs calculated on trade receivables only)



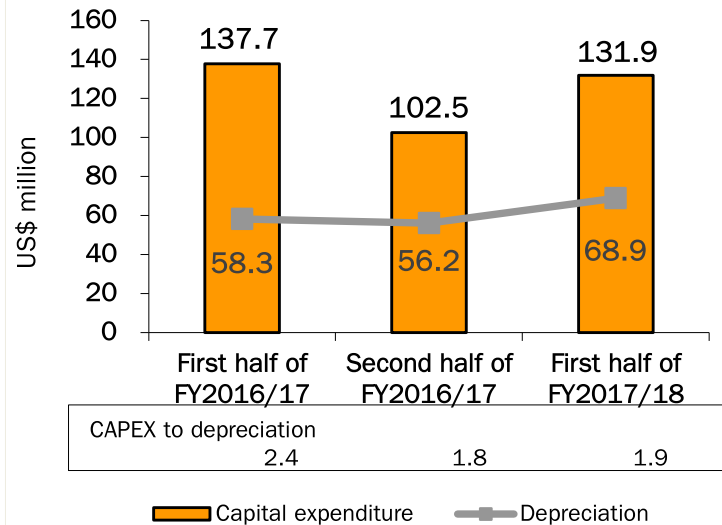
Trade payables, other payables and deferred income
(DPOs calculated on trade payables only)



Inventories



Capital expenditure and depreciation



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HSC – Product Offering

HSC's products are used in powertrain, suspension and steering applications that contribute to fuel economy, reduced emissions and increased passenger comfort

Suspension

- Piston
- Body
- Reb, Ret
- Rod Guide



Steering

- EPS Pulley
- Cam & Rotor
- Rack & Pinion
- Support Yoke



Powertrain

- GF-6
- MTM Hub
- E/G Cam-Shaft Gear
- E/G Rotor



Compressor

- Hub
- Limiter
- Con-Rod
- Bearing

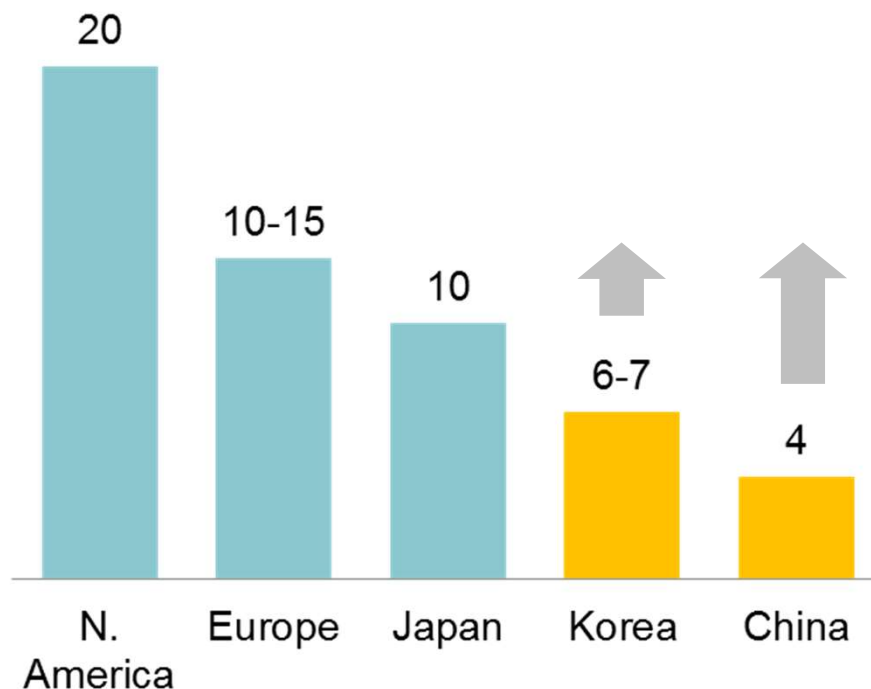


HSC – Outperformance of China & Korea PM Markets

Powder metal markets in China and Korea are expected to outperform due to the currently low powder metal content per car and supply localisation

Powder Metal Content






Estimated weight of PM parts (kg per car)



- China and Korea have relatively lower powder metal content in the cars produced. Catching up to the levels in North America and Europe creates significant demand for PM parts
- All major automotive and tier-1 suppliers have a strategy to localise parts production and sourcing. However, there are presently limitations in production capacity and competence to produce high quality powder metal components, especially in China
- Halla Stackpole is well positioned to capture the growth opportunity with its installed capacities in China and Korea and technology leadership

Source: Powder Metallurgy Review, JE analysis

AML - Products & Technologies

Product Types	Diagrams	Drivers
Headlamp Levelers	 (Static & Auto Static)	Manual levelers for halogen & automatic levelers for Xenon / LED lamps are mandatory in EU / Japan / China / India
	 (Dynamic)	
Smart Actuators	 (ADB Actuator)	Adaptive lighting technology, an important means of differentiation in marketing cars (for both safety and styling reasons)
	 (Bi-function / Tri-function)	
Headlamp Cleaning Systems		Mandatory in EU / China / India for light sources > 2K Lumen Also for harsh weather conditions

Stackpole Applications

Pumps



Engine Oil
Pumps



Transmission Oil
Pumps



Vacuum
Pumps

Powder Metal



Carriers



Clutch
Components



Gears &
Sprockets

Key Products

Market Position

Stackpole's Differentiation

One of a leading oil pump manufacturer globally

One of a leading powder metal manufacturer focusing in automotive industry of North America and Asia

- The pioneer of the fuel-efficient variable vane pump more than 20 years ago
- Over 25 million units installed globally, far in excess of any other supplier
- In-depth product know-how in noise, vibration and harshness, hydraulic and durability performance

- Proprietary technologies and processes that underpin a portfolio of highly complex, non-commoditised products
- Relied upon by customers for material process design and production capability
- Offers leading, value-added finishing capabilities

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FX Rate

USD	FY2016/17	FY2017/18	<i>Change</i>
Average Exchange Rate	APR-DEC	APR-DEC	
CAD	1.308	1.288	1.5%
CNY	6.677	6.710	-0.5%
EUR	1.108	1.152	3.9%

Source: Bloomberg daily rates

Light Vehicle Production

Region / Country	Apr 16 - Dec 16	Apr 17 - Dec 17	CHANGE
AMERICAS	15,506,647	15,163,175	-2.2%
Canada	1,745,146	1,567,424	-10.2%
Mexico	2,667,296	2,980,428	11.7%
United States	8,968,971	8,061,138	-10.1%
<i>NORTH AMERICA</i>	<i>13,381,413</i>	<i>12,608,990</i>	<i>-5.8%</i>
Argentina	388,280	402,485	3.7%
Brazil	1,617,634	2,031,783	25.6%
Others	3,773	1,996	-47.1%
<i>SOUTH AMERICA</i>	<i>2,125,234</i>	<i>2,554,185</i>	<i>20.2%</i>
ASIA	36,694,770	37,331,541	1.7%
China	20,670,576	20,795,573	0.6%
India	3,129,697	3,287,516	5.0%
Japan	6,475,262	6,786,209	4.8%
South Korea	3,110,475	3,143,733	1.1%
Others	3,308,760	3,318,510	0.3%
EUROPE	16,014,279	16,474,026	2.9%
<i>CENTRAL EUROPE</i>	<i>2,984,342</i>	<i>3,023,127</i>	<i>1.3%</i>
<i>EAST EUROPE</i>	<i>2,159,284</i>	<i>2,517,370</i>	<i>16.6%</i>
WEST EUROPE	10,870,653	10,933,529	0.6%
REST OF THE WORLD	1,869,986	1,981,278	6.0%
WORLD TOTAL	70,085,682	70,950,020	1.2%

Source: IHS

Disclaimer

This presentation contains certain forward looking statements with respect to the financial condition, results of operations and business of Johnson Electric and certain plans and objectives of the management of Johnson Electric.

Words such as “outlook”, “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, “projects”, variations of such words and similar expressions are intended to identify such forward-looking statements. Such forward looking statements involve known and unknown risk, uncertainties and other factors which may cause the actual results or performance of Johnson Electric to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding Johnson Electric’s present and future business strategies and the political and economic environment in which Johnson Electric will operate in the future.